Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	Sh3.50	S.Arabia	Rls7.00
Belgium	BFr45	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr45	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes900	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	NKr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,434 — Monday January 11 1988 — D 8523 A

Peking: Unrepentant bishop set free after 30 years, Page 16

World News

Dubcek airs views after 20 years of silence

Alexander Dubcek, tragic hero of Czechoslovakia's "Prague Spring", emerged as a new beneficiary of Soviet openness, able in an unprecedented interview to characterise the Gorbachev experiments in the Soviet Union as closely related to his own abortive liberalisations of 20 years ago. Page 16

Mubarak in Saudi

Egyptian President Hosni Mubarak, making his first visit as president to Saudi Arabia, discussed Iranian threats in the Gulf with senior American and Saudi officials and warned that Egypt would not tolerate an Iranian attack on Gulf Arab states. He met US Defence Secretary Frank Carlucci, who ended his first Gulf tour after preparing the ground for a modest cutback in US warships. Page 2

Soviet call for test ban

The Soviet Union has renewed its call for a ban on nuclear testing following the arrival of a US Government delegation of scientists to visit the Soviet nuclear test site. Page 2

Train bomb in Burma

Eight passengers were killed and 38 others were wounded when a bomb exploded on a train approaching the main Rangoon railway station in Burma. Page 3

Tamil infighting kills 3

Factional fighting among Tamil rebel groups claimed three more members of the Tamil Eelam Liberation Organisation (TELO) who were gunned down 25km north of Vavuniya.

Haiti bans nominees

Haitians braced for possible further violence after 10 supporters of former dictator Jean-Claude Duvalier were unexpectedly banned from standing in next week's presidential elections. Page 2

Action Directe trial

Twenty-two suspected members of the outlawed French left-wing guerrilla group Action Directe go on trial today in France's first post-war mass political trial.

Kurdish highwaymen

Iranian-backed Iraqi Kurdish rebels warned foreign companies against using a vital highway linking Iraq with Turkey. The Iraqi Kurdistan Democratic Party said that foreign companies would be responsible for the consequences of using the road.

Aquino loses favour

Philippines President Corazon Aquino's popularity was reported to have fallen sharply, with her approval rating in the Manila area about 10 per cent lower than elsewherein the country.

India petrol price rise

The Indian Government raised petrol prices by 14.4 per cent at the weekend in an attempt to curb rapid growth in consumption and to ease the country's balance of payments. Page 2

Channel tug mishap

Two crewmen from a British tug were missing presumed dead off the Channel Islands after a tow line snapped. A third man was injured and was taken off the vessel by helicopter.

Balkan earthquakes

A series of earthquakes rocked the Balkans over the weekend, causing serious damage in Albania and Romania where hundreds of people were made homeless. There were no reports of injuries or deaths.

Plane runs into lake

A Japanese airliner with 52 aboard plunged partly into a lake in western Japan after overshooting the runway as it tried to take off on a domestic flight. Three passengers sustained slight injuries.

Peasants murdered

Knife-wielding rebels in Peru, in an apparent campaign against anti-guerrilla patrols, killed 29 peasants and set homes on fire

Business Summary

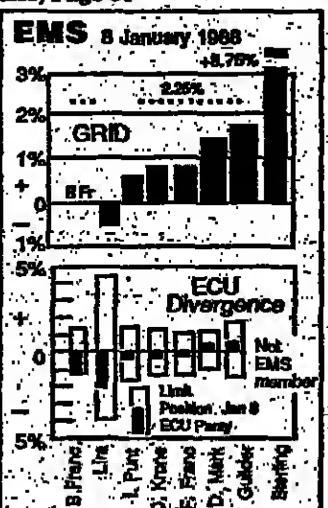
Texaco to write off $4.96bn and sell assets

TEXACO, US oil company driven into bankruptcy by a long-running legal dispute with Pennzoil, said it would write off $4.9bn against the value of its assets to settle the dispute and restructure its operations. Page 17

JAGUAR, UK luxury car maker, stung by speculation that its prospects have become increasingly gloomy, forecast that sales in its all-important US market would recover by 2,000-3,000 units this year. Page 6

EUROPEAN Monetary System: The dollar's sharp rise helped to allay fears of a build-up of pressure within the EMS last week. Heavy intervention by central banks pushed the D-Mark lower and allowed the Dutch central bank to cut its discount rate. Earlier in the week French and Belgian central banks made reductions in domestic money rates.

There was an underlying a note of caution as the market awaited next Friday's release of US trade figures for November. Currencies, Page 30



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European currency unit (Ecu), itself derived from a basket of European currencies.

BRAZIL and its leading creditor banks resume talks on restructuring some $68bn in longer-term debt in New York today with the Brazilian negotiators under orders to adopt a markedly more conciliatory tone. Page 2

TANDEM COMPUTERS, US maker of "fault-tolerant" mainframe computers, warned that its revenues for the quarter ended December 31 would be lower than expected. Page 19

NEW CAR sales in Japan reached a record 4.34m units last year, up 6.1 per cent from the previous year, reflecting the growing strength of domestic demand in the Japanese economy. Page 2

CITICORP'S Citibank subsidiary has acquired the 95.1 per cent of Vickers Da Costa Securities Holdings, international brokers, it did not already own, for undisclosed terms. Page 18

PILLSBURY, large Minneapolis food group, announced a sweeping reorganisation, including the closure of 100 or more restaurants, to tackle problems in its troubled restaurant business, which includes Burger King, the second-largest US fast food chain. Page 19

VNU, Netherlands' largest publishing group, plans to acquire Media Records of the US, a trade journal that reports on newspaper advertising, in an effort to strengthen its media information services. Page 18

ASSUBEL LIFE, Belgium's third largest insurer, said it could use a controversial article of association to reject an unwelcome takeover bid from AG Group, its domestic rival, by mounting an alternative offer. Page 19

BANK NEGARA, Malaysia's central bank, has assumed control of financially-troubled Co-operative Central Bank Bhd

No end in sight to Israel's private war in Gaza

BY ANDREW GOWERS AND TONY WALKER IN GAZA

"HAVE a nice day," said the young Israeli soldier clad in battle fatigues and carrying an M-16 rifle, as he waved our car through an army checkpoint on the edge of the Gaza Strip.

His words hardly seemed appropriate. Just a few hundred metres down the road, burning tyres sent plumes of black smoke into the air. Streets were strewn with rubble. Overturned garbage trolleys and twisted pieces of scrap metal blocked the way.

As rioting continued for a second month in the Israeli-occupied territories – home for nearly 1.4m Arabs – there was little sign of an end to the strife.

In Gaza, the coastal strip of land seized by Israel along with the West Bank in 1967, residents said the weekend's riots were the worst since the troubles began.

Israel, for the first time, barred foreign journalists from entering trouble-spots – a sign the authorities are becoming more sensitive to international criticism. On Saturday many correspondents trying to enter Gaza were turned back.

The same day a Palestinian youth was shot dead by Israelis and dozens injured in a wave of violent protests that swept through Gazan shanty towns. Two more Palestinians were shot dead on Sunday. United Nations officials described parts of the strip as resembling "a war zone."

Unofficial figures show that up to 31 Palestinians have now been killed in the disturbances which this weekend affected the West Bank towns of Hebron, Ramallah, Bethlehem and Nablus. Curfews were imposed in two refugee settlements and Ramallah's Bir Zeit University has been ordered to close for a month.

The army is reported to be sending extra reinforcements to restore order in Gaza.

Sullen youths prowled Gaza's refugee camps or congregated on street corners. Children manned improvised road blocks designed to hamper Israeli patrols. Every so often, convoys of Israeli jeeps raced through dusty alleyways, sending stone-throwing protestors scurrying for cover.

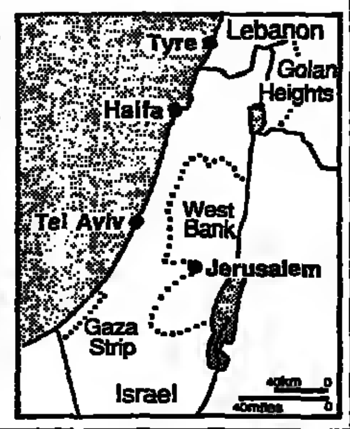
Hundreds of arrests have failed to curb the demonstrations. The Israelis are having difficulty identifying leaders of what still seem to be spontaneous protests.

"The leaders now are those who are on the streets throwing the stones," said a prominent Gaza resident.

Islamic extremists, however, appear to be strengthening their influence. Local religious leaders have been calling for a jihad (holy war) against the Israelis.

The emergence of the Islamic tendency is one of the most wor-

Continued on Page 16



AT&T steps up drive into Europe through Philips joint venture

BY DAVID THOMAS IN LONDON AND DAVID LANE IN MILAN

AMERICAN Telephone and Telegraph, the world's largest telecommunications company, is to step up its drive to break into the European market.

The US company will shortly make a statement to end uncertainty about the future of its joint venture in public telecommunications equipment with Philips of the Netherlands.

Both companies will reaffirm their commitment to the venture, known as APT, which has failed to penetrate as many European markets as the partners had hoped, but AT&T is likely in future to take more of a leading role.

This is expected to involve a restructuring of the partnership, with AT&T becoming the dominant partner. All the equipment sold by the joint venture is based on AT&T technology.

Meanwhile, Stet, the parent company of Italtel, Italy's largest telecommunications equipment manufacturer, is evaluating the possibility of a partnership with AT&T.

These moves represent in part a rethinking of tactics by AT&T since its rebuff in April when the French Government chose Ericsson of Sweden in preference to APT to supply a second public exchange for the French network.

Before this setback, the US company had attempted to overcome political resistance on the part of European governments to buying its public exchange by arguing that APT was an equal European and US partnership.

However, this argument failed to win over the French Government. The French reverse was the most dramatic example of the failure to make headway in Europe by the joint venture since it was formed in 1984.

So far, APT has sold public exchanges for main networks in Europe only to the Netherlands, Philips' home base, though it has also sold specialist exchanges to others, such as British Telecom's Freephone exchanges elsewhere, including to British Telecom.

Thinking within AT&T has shifted towards the view that the company might do better to stress the dominant role within APT of AT&T technology, widely regarded as a world leader. When Telefonica of Spain bought specialist exchanges from APT shortly before Christmas, a prime motivation appeared to be to get access to AT&T technology.

APT declined to comment on the contents of the statement which is due to be released early this week, but besides killing speculation that the joint venture might collapse, it is expected to indicate how both partners see the partnership unfolding.

The negotiations between Stet and AT&T are believed to be relatively advanced with AT&T having asked the US embassy in Rome for advice on the political implications of it becoming more involved in Italian telecommunications, although the Italians have also been talking to several

Continued on Page 16

Stock markets brace for stormy week ahead

BY RODERICK ORAM IN NEW YORK AND MICHAEL SMITH IN LONDON

WORLD stock markets are beginning the week balanced on a knife-edge, anxious to see whether Wall Street's precipitous decline late on Friday will trigger another global rout of equities.

Although further heavy selling is expected this morning, analysts in New York and London were quick to reassure investors over the weekend that markets are less likely to experience a wrenching adjustment similar to October's because they are in far sounder shape.

Moreover, it looks as if some of the pressures from the futures markets – which had contributed to the 508-point drop in the Dow Jones industrial average on October 19 – have dissipated to a large extent.

Market participants, however, are still expecting a very difficult week which will be made more trying by economic news.

On Friday the US will report its November trade deficit. Forecasts range widely, but the consensus estimate is around $15bn compared with the record $17.6bn deficit in October which contributed to the crash.

The dollar rose strongly last week thanks to heavy central bank intervention. Foreign exchange markets, realising such action gives only short-term support, remain pessimistic about the dollar, however, particularly if the trade numbers turn out worse than expected.

The great unknown factor, despite the difference between October and January's markets, is the mood of investors. Deeply nervous and unsettled after events of the past four months, they might be unwilling to hold on to their shares.

Fidelity Investments, one of the largest US mutual fund managers, said it received about 50,000 calls over the weekend from its clients, compared with 80,000 in the two days before Black Monday.

It said yesterday that redemption levels this weekend were "extremely low in absolute terms," even compared to a normal weekend.

The mood among analysts in London last night was that the UK equities market would fall severely today, but that it would suffer considerably less than Wall Street.

London has fared worse than Wall Street since the October world stock markets crash, but this time the reaction is expected to be muted, partly because of a rapid recovery in the liquidity position of Britain's largest institutional investors.

The UK equities market is also seen to be better balanced than it was in October.

Friday's events emphasise, however, the nervous state of world markets and are likely to prompt fund managers to look at the fundamentals of the UK economy more closely.

The collapse in the last hour of trading in Wall Street on Friday was blamed on a range of factors – from stronger-than-expected US employment figures, rumours of a huge jump in US trade and budget deficits and the heavy snow storm which blanketed the eastern seaboard.

The Dow closed down 140, its third worst drop ever in points terms. The way in which futures-related trading strategies, aided and abetted by computers, deeply depressed stock prices was similar to the chain of events on Friday, October 16 when the Dow fell 108, setting up the market for a 508 drop on Black Monday.

Editorial comment, Page 14; Janet Bush and Lex Column, Page 16

Brussels plans sweeping changes to banking laws

BY TIM DICKSON IN BRUSSELS

PROPOSALS aimed at removing most of the current obstacles to cross-border banking in the European Community are set to be unveiled in Brussels this week.

The package of measures is seen by the European Commission as the most radical step it has yet taken in the banking field, as well as being a key move towards completing the internal market in financial services.

The central position of the draft directive, which senior officials say will be approved at a full meeting of the 17-man Commission on Wednesday, is for the creation of a Community banking licence, or "passport", enabling a bank authorised in one EC country automatically to set up in another member state.

The EC's first banking co-ordination directive, agreed in 1977, sets down the main conditions for freedom of establishment, but at the moment a bank wishing to set up a branch or subsidiary elsewhere has to receive separate clearance from the host supervisory authorities.

Lord Cockfield, the British Commissioner responsible in Brussels for the internal market, is known to feel that mutual recognition along the lines proposed would be a major breakthrough and go beyond what has been achieved in other centres, even in the US and Japan, in creating a single banking market.

Officials say that the new plan should also be seen in the context of existing efforts to harmonise supervisory standards and accounting procedures, and to liberalise capital movements throughout the Community.

Among the more controversial elements is the inclusion of securities business in the list of core banking activities which would be permitted. The list takes in a whole range of powers, from deposit taking and lending to foreign exchange dealing, financial futures and portfolio management, but it is understood that in earlier drafts securities business was not included.

It is acknowledged in Brussels that this aspect may prove difficult for Britain, where responsibility for overseeing the securities industry rests largely with the Securities and Investments Board and its self-regulatory bodies.

The other potentially sensitive issue is that of Community competence for "third-country reciprocity". Under this part of the draft directive it is understood that, if the banks of, say, Italy or Greece were being refused reciprocal banking arrangements in a non-EEC country like Japan, a banking institution from that country seeking to set up in Europe could be refused authorisation throughout the Community, and not just in Italy or Greece.

This power would override any desire by, say, the UK authorities to open the door to that bank for its own domestic reasons, such as promoting the City of London as a financial centre.

The Commission's proposals, which have been the subject of lengthy consultation with the banking industry in recent months, will now be submitted to the Council of Ministers for approval.

Before mutual recognition can be established, however, the community is likely to have to agree legislation harmonising rules on a bank's capital base (the subject of another directive being discussed by the Council of Ministers) and on solvency ratios (the relationship between a bank's capital and its assets as weighted by risk).

Consideration is also being given to the issue of common rules on large exposures – restricting large loans to a certain percentage of a bank's capital base – and to further harmonisation of deposit protection schemes.

Bush-Dole class war erupts on campaign trail

By Stewart Fleming, US Editor, in Carlisle, Iowa

CLASS CONFLICT has broken out on the American Presidential election campaign trail this year.

The feud is not between the Democrats and the Republicans but within the Republican Party itself. It pits the two front runners, Vice-President George Bush, the privileged son of a New England investment banker and US Senator, and the man who has emerged as his strongest challenger for the party's presidential nomination, Senator Robert Dole.

Over the past weekend here in Iowa, the state which in four weeks will be the scene of the first test of what the voters – as opposed to the pundits – think, each has been busy undermining the images the other is trying to build.

Listen, for example, to Senator Dole, a man who grew up dirt poor in the tiny midwestern farming community of Russell, Kansas.

"I am from Russell, Kansas and I am proud of it", he told an audience of about 50 crammed into the tiny American legion post in rural Carlisle, with a population of 5,000 just like his home town. "I did go to public (state) schools and I am proud of it."

There is nothing complicated about Bob Dole. "I believe I have small-town traditional values and Washington experience", he says pointing out that when he becomes President and picks a team to run the Administration, "we are going to look for people who want to serve their country...and they don't have to be rich either".

As for his decision to get into politics, he says it was "almost by accident" adding, in another barbed aside directed at Mr Bush, "not because it was in the family or we were looking for power."

Iowa's caucuses next month are seen by all 13 Presidential candidates from both parties as crucial. Indeed, in Senator Dole's case a poor showing here could once again doom his ambitions as happened in 1980.

So it is not surprising that he is emphasising his farm-state roots in neighbouring Kansas and laying himself open to the sort of jibes Bush campaign workers are directing at him, that his campaign makes him look like he is running for Governor of Iowa not President of the United States.

But there is more to the Dole strategy than just a regional appeal. One of Vice-President Bush's weaknesses, a serious one in a year when voters say that they want to get behind television images and to grips with the character of the candidates, is

Continued on Page 16

Whitelaw quits UK Cabinet

BY IVOR OWEN IN LONDON

VISCOUNT WHITELAW, deputy to Mrs Margaret Thatcher, the British Prime Minister, yesterday bowed to medical advice and resigned from the Cabinet.

Despite making a good recovery from a "mild stroke" just before Christmas, he said he had been advised that it would be unwise for him "to undergo in future the stress inseparable from senior ministerial office."

Mrs Thatcher yesterday warmly acknowledged the support she had received from Lord Whitelaw and highlighted his unique standing by making it clear that his unofficial role as deputy Prime Minister would remain vacant.

To further underline the value she attaches to his advice and counsel, Mrs Thatcher has asked Lord Whitelaw, who is 69, to remain deputy leader of the Conservative Party.

Lord Belstead, deputy leader of the House of Lords – Britain's upper parliamentary chamber – steps up to replace Lord Whitelaw as its leader.

It seems likely that Mr John Wakeham, a former Treasury Minister who has worked closely with Mrs Thatcher, will take over from Lord Whitelaw as chairman of the so-called "star chamber".

This is the group of ministers which makes the final public spending decisions.

With Lord Whitelaw's departure Sir Geoffrey Howe, the Foreign Secretary, moves up to number two position in Cabinet seniority.

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OVERSEAS NEWS

Moscow renews call for ban on nuclear testing

BY CATHERINE McELHINNEY IN MOSCOW

THE SOVIET Union has renewed its call for a ban on nuclear testing following the arrival in *Moscow* of a *US governmental* delegation of scientists to visit the Soviet nuclear test site.

Mr Vladimir Petrovsky, Soviet Foreign Minister, received Mr Robert Barker, leader of the US delegation and assistant to the *Secretary of Defence*, on the eve of the delegation's departure for the Soviet test site near Semipalatinsk in Central Asia.

It is the first visit by US officials to the site.

The Soviet news agency Tass, *reporting the meeting*, said Mr Petrovsky "stressed the need for an early resolution of the problem of stopping nuclear testing, a problem which has become very urgent in the light of the transition to the process of eliminating nuclear weapons."

Mr Petrovsky said he hoped early ratification of the treaties signed in 1974 and 1976, aimed at reducing the yield of nuclear tests and the number of tests, would be an intermediate step to ending such tests completely.

Tass said Mr Petrovsky also called for a complete ban on testing during Soviet-US negotiations on this issue.

The US has rejected such a proposal which would pre-empt the negotiations.

The present visit by the US delegation and a reciprocal visit by Soviet officials to the US test site at Nevada later this month follow an agreement reached at the Washington summit last December.

The Soviet Union is emphasising the reciprocal agreement as a step towards the complete elimination of nuclear tests, while the US sees it as an opportunity to set up experiments which would improve methods of verification.

Once verification can be shown to be reliable, ratification of the 1974 and 1976 treaties could be achieved.

The US and the Soviet Union signed the 1974 threshold test ban treaty and the 1976 peaceful nuclear explosions treaty, limiting nuclear explosions to 150 kilotons - the equivalent of 150,000 tonnes of TNT.

However, the US Senate has never ratified the treaties, demanding better ratification methods.

The Soviet Union began a campaign to halt all nuclear testing in the summer of 1985. All *Soviet tests were halted for 19* months and only resumed again early in 1987.

The US has rejected the Soviet proposal for a complete halt, saying they could not verify a total test ban and also that they wanted to modernise their nuclear weapons.

US urged to focus on non-nuclear weapons

BY LIONEL BARBER IN WASHINGTON

A *HIGH-POWERED presidential* commission will this week call for the US to shift spending away from nuclear forces to focus on non-nuclear precision weapons.

These "smart weapons" are far better equipped to deal with regional conflicts in the Third World without embroiling the superpowers, the report says.

The advisory panel - the Committee on Long Term Strategy - was set up in 1986 and includes a former Secretary of State, Dr Henry Kissinger, two former national security advisers in Dr Zbigniew Brzezinksi and Judge William Clark, two retired generals and an admiral.

Its 69-page report cost $1.6m to produce.

The Washington Post - which obtained a copy of the report, said a bigger variety of precision conventional weapons, along with Stealth aircraft and missiles - would be difficult to detect and would strengthen Nato's counter-offensive capability against Warsaw Pact forces in the event of an attack from the East.

In a reference to regional *flare-ups - which some military* analysts believe pose the greatest threat of superpower confrontation - the report states bluntly: "Threatening a nuclear exchange that would devastate the US and the Soviet Union is not a reliable deterrent."

India puts up petrol price by over 14%

By John Elliott in New Delhi

THE INDIAN Government raised petrol prices by 14.4 per cent at the weekend in an attempt to curb rapid growth in consumption and ease problems with the country's balance of payments and budget deficit.

This is the biggest petrol price increase for just over 15 years and was criticised strongly yesterday by opposition political parties and some sections of industry. It follows rises of 15-22 per cent in other basic Government-controlled commodities, including coal, edible oil, sugar and steel.

The increases will fuel inflation, which has risen to around 9 per cent, at a time when the country is facing economic problems caused by a severe drought in some key agricultural areas.

Mr Narayan Datt Tiwari, the Finance Minister, who will deliver his annual budget at the end of next month, indicated over the weekend that he would introduce some tough taxation measures. He said that "unpleasant steps" were needed to prevent inflation rising to the 21 per cent level recorded in 1979.

His other most urgent problem is the budgetary deficit which Mr Rajiv Gandhi, the Prime Minister, promised a year ago would not rise above a controversially high planned figure of Rs56.88bn (£2.4bn).

Drought and flood relief work are expected by the Government to cost Rs13.5bn above estimates in the current financial year, and savings by farmers have dropped by an estimated Rs5bn. The consequential increases in the planned deficit have been offset partly by economies and extra tax and import charges introduced last September, but, since then, defence expenditure has risen because of India's involvement in Sri Lanka.

The petrol problems stem from sharp increases of 15-30 per cent in the annual production of cars and scooters during the past couple of years. Petrol consumption is rising in the current financial year by 13 per cent.

Narrow issues will not dominate this week's Tokyo-UK talks, reports **Ian Rodger**

Howe warms up with tour of 'real Japan'

SIR Geoffrey Howe's visit to Japan this week is likely to be remembered for photographs of the British Foreign Secretary carefully studying a Japanese cow and gulping down a huge bowl of green tea surrounded by Buddhist monks.

This is a pity, because he and his Japanese counterpart, Mr Sosuke Uno, will probably have useful discussions during their meetings today on world problems and the respective roles of their two countries in solving them. For once, British-Japanese talks will not be dominated by narrow bilateral problems.

But Sir Geoffrey wanted to get out of the capital and see the "real Japan", so Britain's diplomats in Japan set up a visit to Oita prefecture on the country's southern island of Kyushu. Oita is famous for many things, such as oranges and hot spring spas, but most of all these days for its flamboyant governor, Mr Morihiko Hiramatsu. When Mr Hiramatsu heard that the British Foreign Secretary was looking for a bit of country to visit, an invitation materialised in no time, and an elaborate weekend programme was set up as a preface to the official talks in Tokyo.

The governor is not one to miss an opportunity for publicity. Indeed, from the moment Sir Geoffrey stepped out of a hovercraft in Oita City, having completed the last and probably bumpiest leg in the long journey from London, Mr Hiramatsu was at his side.

One minute he was explaining to Sir Geoffrey and Lady Howe, over the clicking of cameras, his industrial development policy. Then he was showing off some of the prefecture's high technology plants over the clicking of cameras, then leading them round a typical farm over the clicking of cameras. Sir Geoffrey, tried gamely to talk about "the further development of relations between our two countries". Mr Hiramatsu, who brightened noticeably when he heard that the Foreign Secretary was also from a rural area, was interested only in setting up exchanges between Oita and Wales.

Sir Geoffrey returned to Tokyo last night, apparently none the worse for wear, and will sit down today to several hours of talks with Mr Uno. Japan's foreign affairs spokesman seemed to be caught off guard when asked at a press conference on Thursday what was on the agenda for these talks. "Um, ah, we do not have any detailed agenda," he said, as he shuffled through his briefing papers.

Had the Howe visit taken place last May, as it was supposed to until Mrs Margaret Thatcher, called a general election, bilateral issues, such as Cable and Wireless's desire to enter the Japanese telecoms industry and British securities firms' desire to become members of the Tokyo Stock Exchange, would have dominated.

Both British and Japanese officials are delighted that the most thorny of these - with the exception of Japan's high taxes on Scotch whisky - have been settled, providing them with the opportunity to sit down and share ideas about big issues.

The agenda, it seems, is not as vague as the official schedule or the Japanese spokesman suggested. The British have approached them in the recognition that Japan is not only an economic superpower but also has acquired considerable sophistication in assessing world political and strategic issues, particularly those affecting the Asia-Pacific region. Japan is also willing, as it has not been in the past, to make its views known and to play a strategic role, as it has begun to do in its own region.

For their part, the Japanese recognise that even though Britain does not have anything like the power it once had, it has strong leadership at home and considerable influence within *the European Community*. Japan is interested in developing EC relations, not least as a small counterweight to the overwhelming influence still carried in Japan by the US.

Mubarak warns Iran on Gulf attacks

EGYPT'S President Hosni Mubarak warned Iran yesterday *against attacking the Gulf states* hosting his first tour of the Arab world as head of state, and diplomats said he could be ready to boost defences in the region, **Reuter reports.**

President Mubarak later arrived in the United Arab Emirates from Riyadh, first stop of his tour of the six Gulf Co-operation Council states, where he had separate talks with King Fahd and Mr Frank Carlucci,the visiting US Defence Secretary.

President Mubarak told King Fahd that Egypt was committed to the security of the GCC, which links Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE, a senior Egyptian official said.

In Riyadh, officials said Egypt had agreed to supply the six nations of the GCC with up to 15,000 troops in return for payment of Egyptian debts.

However, Mr Mubarak has categorically denied that such a deal has been struck.

In Tehran, Iran's Deputy Foreign Minister, Mr Hossein Sheikholeslam, called on GCC states to end their support for Iraq in the seven-year-old Gulf war.

"If they use wisdom, we will welcome them," he told Tehran Radio. But he repeated Iran's position that President Saddam Hussein of Iraq must be removed *before the war could stop.*

A UAE official arrived in Tehran with a message for Mr Ali Akbar Velayati, Iran's Foreign Minister, which the official Emirates news agency WAM said concerned dialogue between Iran and the GCC on ending the war.

The visit by Mr Saif Said, the senior UAE official responsible for GCC affairs, was the first high-level contact between the Gulf Arab countries and Iran since GCC leaders decided last month to open talks with Tehran.

In his talks with Mr Carlucci, President Mubarak explored ways in which Cairo could contribute *to the defence of the Gulf* states, diplomats and Egyptian officials said.

The diplomats said the thrust of Mr Carlucci's trip to three Gulf states, which ended yesterday, had been to reassure them of US support and examine ways of cutting US costs in defending the region.

Egypt, whose ties with Gulf Arab states were restored at the end of last year after eight years of isolation caused by its peace treaty with Israel, could be well placed to share the defence burden with Washington, they said.

Japanese car sales record

NEW CAR sales in Japan reached a record 4.34m units last year, up 6.1 per cent from the previous year, reflecting the growing strength of domestic demand in the Japanese economy, **Ian Rodger reports from Tokyo.**

The previous record was 4.29m, set in 1979. Demand for commercial vehicles, which has been in the doldrums in recent years, grew particularly strongly, up 10.1 per cent to 1.195m units.

Passenger car sales grew 4.7 per cent to 3.1m, partly because individuals were spending their profits from stock and land trading. Toyota Motor remained the clear market leader, accounting for 43.2 per cent of the total market, followed by Nissan Motor with 23.5 per cent, Honda Motor with 7.8 per cent and Mazda Motor at 7.5 per cent.

Duvalierist ban raises fears of Haiti violence

HAITIANS braced for possible further violence yesterday after *10 supporters of former dictator* Jean-Claude Duvalier had been unexpectedly banned from standing in the presidential elections next Sunday, **reports Reuter from Port-au-Prince.**

An electoral commission, hand-picked by the military-led government, had been expected to include the 10 in a list of presidential candidates.

The military was widely thought to have been putting pressure on the commission to include the Duvalierists.

The commission's announcement on Saturday night of 11 candidates, including only one with vague links to Jean-Claude Duvalier, was said to have shocked the Duvalierists.

Because of the Duvalierists' influence within the army and *with the dictator's former Ton*tons Macoute militiamen - supposed to be disbanded but now well-armed and underground - Haitians feared the dropping of the candidates might lead to another outbreak of killings.

- The Caribbean Economic Community has failed to agree on proposals to ostracise the government to be elected in Haiti, **writes Canute James in Kingston.** After a day of bickering over procedural matters, leaders and government officials from 12 of the 13 members of the community rejected proposals urging a boycott of elections, and suggested that they were willing to recognise the government.

Panama army denies Noriega forced to quit

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

GENERAL Manuel Antonio Noriega, Panama's military strongman, was due to return to Panama City today from the Dominican Republic, a trip which sparked rumours of his abandoning power.

His return was confirmed by Major Edgardo Lopez, spokesman for the Panamian Defence Forces, denying Gen. Noriega had been forced to leave the country. Major Lopez said the commander of the Defence Forces went to the Dominican Republic for personal reasons. Gen. Noriega's daughter is married to the son of a Dominican general.

These denials went some way *to dampen rumours that swept* Panama City about Gen. Noriega's departure.

Gen. Noriega's manipulation of power has been opposed by a loose coalition headed by members of the business community. Since July, the US has suspended all economic and military aid to Panama as a sign *of* its disapproval of Gen. Noriega remaining head of the Defence Forces.

The rumours of his departure were fuelled by disclosures that a senior Pentagon official met him 10 days ago and proposed a scheme for a gradual transition to full democracy. The official is reported to have hinted Gen. Noriega step down by April.

Gen. Noriega has given no hint he is willing to accept this.

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Bonn decision on deficit rise widely attacked

BY HAIG SIMONIAN IN FRANKFURT

WEST GERMAN politicians from across the political spectrum have sharply criticised last week's announcement by Mr Gerhard Stoltenberg, the federal Finance Minister, of a bigger than planned increase in the federal budget deficit to DM40bn (£13.4bn) and higher consumer taxes.

The federal deficit could actually rise to DM48bn on account of West Germany's weak economic growth and the upward trend in unemployment signalled in December's jobless figures, according to Mr Wolfgang Roth, economic policy spokesman for the opposition Social Democrats.

Mr Roth called on the Government to set aside its planned tax reform package for 1990 and embark on a programme of public investment instead.

More damaging politically for the embattled Mr Stoltenberg has been the criticism from members of his own Christian Democrat party and its Bavarian partner, the Christian Socialists.

According to Mr Lothar Spaeth, the Christian Democrat Premier of Baden Wuerttemberg, a rise in consumer taxes was unsuitable in the present unstable economic environment.

It was not sensible to announce across-the-board tax increases without giving any precise details, he said.

Meanwhile, Mr Theo Waigel, a senior CSU politician, said that both Mr Franz Josef Strauss, the Premier of Bavaria, and Mr Friedrich Zimmermann, the CSU Interior Minister in the Bonn government, had spoken out against consumer tax increases in the cabinet in view of the present sensitive economic climate. However, Mr Stoltenberg, speaking in his home state of Schleswig Holstein, again defended his decision, and noted the government had agreed on the possibility of raising taxes to cover a funding gap some 10 months ago. Increasing taxation was no easy task, but should not be a taboo, he said.

● There has been no secret agreement between West Germany, Japan and the US on target zones for the dollar, said Mr Martin Bangemann, the West German Economics Minister, in a radio interview yesterday.

Mr Bangemann drew attention to the agreement between G7 countries to try to avoid "erratic movements" in the dollar, which had already led to greater calm. There were grounds for hoping that these developments would lead to a "rational" value for the US currency.

Minister tells Brazil debt team 'be flexible'

By Ivo Dawnay in Rio de Janeiro

BRAZIL and its leading creditor banks resume talks on restructuring some $68bn in longer-term debt in New York today with the Brazilian negotiators under orders to adopt a markedly more conciliatory tone.

The orders come from Mr Mailson da Nobrega, the country's new Finance Minister. He has also told his team, led by Mr Fernando Milliet, the Central Bank president, that Brazil's refinancing needs must be raised by $1bn to $11.4bn to cover the 1987-89 period.

Discussions on debt strategy between Mr Nobrega, Mr Milliet and President Jose Sarney dominated Government business in Brasilia last week.

The Brazilian authorities are said to be alarmed about a possible misunderstanding over tha interim agreement reached with the banks last month, a deal that ended Brazil's 10-month moratorium on interest payments.

While some creditor banks say the agreement requires tha country to resume immediately full payments on interest falling due in 1988, Brazil claims that these are only to begin again after a full restructuring deal is reached. That is scheduled, perhaps optimistically, for completion this month.

However, officials in Brasilia are playing down the issue as an easily resolvable detail in the new round of talks. It has been emphasised that the country is now ready to begin negotiations to regularise its relations with the International Monetary Fund – a key requirement of tha banks.

Mr Nobrega is officially maintaining the stand of his predecessor, Mr Luiz Carlos Bresser Pereira, that there can be no pre-requirement by the banks for an IMF deal before new loans are advanced. But he is also said to be ready to offer a gentleman's agreement that such an accomodation with the IMF will be reached rapidly.

Without political party ties, Mr Nobrega is enviably free of the inhibitions suffered by his predecessors in adopting a conciliatory approach to Brazil's creditors.

Both the Finance Minister and the President are understood to be anxious to normalise the country's relations over its $113bn debt burden in order to hasten the resumption of lending by the Paris Club group of sovereign country creditors and by the financial community at large.

Michael Holman describes how a press secretary made 'good copy'

Small scuffle shock enlivens tour

WHEN the journalists who accompanied Mrs Margaret Thatcher on her visit to Africa looked out the windows of the RAF VC10 on Friday night and saw the cameras flash as the Prime Minister stepped on to the tarmac in London, they knew for certain that their stories had created a stir.

Ten hours earlier and thousands of miles away, a controversial incident in the northern Nigerian city of Kano had been catapulted on to the front pages of nearly every British Saturday paper. "Nigerian thug troops duff up Maggie's aides" was one headline, succinctly portraying one version of the event which – in terms of press coverage at least – was to overshadow a colourful end to Mrs Thatcher's five-day trip to Africa.

For some of the dozen or so lobby correspondents the past five days had been dull. The protracted dispute over the merits of sanctions against South Africa does not make good copy. A correspondent of one of Britain's popular papers wondered aloud about how to tackle the subject of Kenya's soaring population, which will double in 20 years. "Kenya: Land of Bonkers," suggested a distinguished member of the lobby.

Sometimes tedious though the job can be of following the indefatigable Mrs Thatcher on tours of factories and aid projects, there is always the chance that something might transform a dull event. "Perhaps," one optimist suggested as we stepped off the press bus to watch Mrs

Bernard Ingham, right: Right-hand man to Mrs Thatcher

Thatcher inspect a tea farm, "she'll have an argument about sanctions with a tea picker". His colleague's eye lit up, as he envisaged the headline: "Plucking great tea row". Alas, it wasn't to be.

Lagos, that tough and frustrating city which has inspired more horror stories than any other African capital, seemed more promising. The appetite of readers of one British newspaper was whetted by a front page account of the "disappearance" of two Special Branch members of Mrs Thatcher's advance party. Jailed? Eaten? Kidnapped? It wasn't clear – nor was it true. But patience was rewarded in Kano during the last day in Nigeria.

The highlight of the day was to be Mrs Thatcher's visit to tha palace of the Emir of Kano, who had laid on a durbar, a traditional display of horsemanship, in her honour. It began chaotically, with a friendly crowd in the grounds of the Emir's palace pressing forward to catch a glimpse of the Prime Minister. The real difficulties began as she and the Emir made their way towards the steps leading up to the roof of a low building overlooking the parade ground on which the durbar would take place.

At this point Mr Bernard Ingham, the Prime Minister's press secretary, usually by her right hand on these occasions, became separated from the main party. Soldiers and officials, including one doughty lady, were determined to keep the hoi polloi at bay. Opinion divides as to precisely what happened next, but it provided rich pickings for the press corps.

From my vantage point a few feet away I watched Mr Ingham, black briefcase aloft, determinedly forcing his way through the scrum on the stairs. Mr Ingham is a formidable figure. Just as Mrs Thatcher's dominance of her cabinet is helped by the fact that she has been there longer than almost anyone else, so Mr Ingham, who has served her for all but six months of her reign, exercises considerable influence over the lobby correspondents.

"It's Bernard!", exclaimed an astonished member of the lobby. The tone was what one might expect from a prefect watching a respected, slightly feared headmaster being debagged by a gang of town toughs: part incredulity, part concern, and part amusement.

Some of us saw a pitched battle. I saw a scuffle. Whatever it was, it ended in minutes. Mr Ingham, a burly six footer, thrust his way to the Prime Minister's side.

The durbar began. It was magnificent: two thousand thundering horses, colourful riders, drums and trumpets, with the harmattan (a dusty wind off the Sahara) hanging over the town like a mist, creating a scene from a Cecil B de Mille epic. It was, as Mrs Thatcher said later, a fantastic day.

Le Pen states his aims for France

By Ian Davidson in Paris

MR JEAN-MARIE Le Pen, leader of France's ultra-right-wing National Front, told a congress of 2,000 party delegates in Nice yesterday that his candidacy in the forthcoming presidential election campaign would be based on a commitment to "restore to France its identity, unity and power".

If elected, he said, he would have aims to restore the role of the state, which had become "impotent to ensure the defence of France and the French".

By this he evidently meant a tighter control of immigration which had, he said, become "a phenomenon of reverse colonisation". He also wanted to give France a new vitality through support for the family and the school, and "to release a dynamic economy".

Mr Le Pen's Secretary-General, Mr Jean-Pierre Stirbois, claimed he had already secured the promise of support from 630 mayors, well above the minimum level of 500 signatures required to ensure entry into the presidential race.

Mr Le Pen also promised to restore the death penalty for murderers and drug traffickers, to conquer unemployment by giving job priority to Frenchmen, and to restrict social security payments to French citizens.

French raise doubts over EC set-aside farm plan

BY TIM DICKSON IN BRUSSELS

DEEP reservations about tha European Commission's key plan for paying farmers to take land out of production have been expressed by Mr Francois Guillaume, French Agriculture Minister.

Speaking at a private meeting in Brussels on Friday, he indicated his concern at the conditions for subsequent land use which are likely to be imposed on producers taking advantage of the so-called set-aside scheme.

Contrary to the Commission's apparent intention, Mr Guillaume wants those farmers who agree not to grow cereals and other arable crops in return for cash payments to be allowed to plant grass and other fodder crops as alternatives to forestry and non-agricultural activities. He rejects the Brussels view that this would endanger measures already taken to curb livestock production.

His comments are a timely reminder of the political complexity of the negotiations on the EC's long-term budgetary reforms which resume in Brussels today with a special meeting of EC ambassadors. These will culminate in an emergency summit next month.

Details of a Community-wide set-aside scheme for arable farmers have yet to be unveiled formally but EC officials and diplomats acknowledge that the plans are part of a crucial political move to buy off West German opposition to aspects of the whole budgetary package (notably measures to keep agricultural spending under control through automatic price cuts on cereals).

Mr Guillaume's "green fallow" philosophy has long been championed by the French Government, which is known to have pressed the Commission to adopt it as part of the set-aside scheme.

The point was apparently accepted by Mr Jacques Delors, the Commission President, and Mr Frans Andriessen, the EC's Agricultural Commissioner, but at last Wednesday's Commission meeting, they failed to convince a majority of their colleagues.

Ryzhkov seeks to speed Soviet-Swedish thaw

BY SARA WEBB IN STOCKHOLM

VIOLATIONS of Swedish territorial waters by Soviet submarines, boundary disputes, and trade will top the agenda when Mr Nikolai Ryzhkov, Soviet Prime Minister, today starts his first official visit to Sweden.

Mr Ryzhkov will meet King Carl Gustaf and Mr Ingvar Carlsson, the Prime Minister, and visit several companies interested in stepping up trade with the Soviet Union, during his four-day visit.

Mr Carlsson said there was still hope that a preliminary agreement could be reached over the Baltic boundary.

Talks appeared to have gained momentum with a Soviet delegation's visit to Stockholm before Christmas and a return visit by Swedish negotiators to Moscow.

Swedish-Soviet relations soured in the early 1980s, because of the repeated violations of Sweden's coastal waters by Soviet submarines. The thaw set in when Mr Carlsson visited Moscow in April 1986 and, despite reports from the Swedish defence staff last month that further violations of Swedish waters had taken place during 1987, the Government has taken care to avoid blaming the Soviet Union.

A successful preliminary agreement over the Baltic boundary would help to shift attention from the submarine incursions. For the Swedes, the Baltic is an important fishing ground for cod and herring.

Rebels blamed as bomb kills eight in Burma

A BOMB ripped through a packed carriage on the Mandalay-Rangoon express train yesterday killing eight people and injuring 38, according to Burma's official radio, Reuter reports from Rangoon.

The radio blamed the Karen National Union (KNU), one of about a dozen insurgent groups which has been fighting the military-led Burmese Government for 40 years.

It was the worst reported civilian attack since 1985 when 60 people died after a mine blew up under a train.

The Burmese army has been engaged in an offensive against the KNU, which holds sway over large tracts of forest along the Thai border and controls much of a lucrative trade in smuggled jade and teak.

The tenor of the Brady Commission's key recommendations is radical, **Janet Bush** reports

Call for steps to forestall violent market breaks

THE report by the Brady Commission on October's share price collapse was more eagerly awaited than other similar studies because it had been commissioned in a blaze of publicity by the President himself.

Nobody had expected the Commission, led by Mr Nicholas Brady, Chairman of Dillon Read and a long-time political ally of Vice-President George Bush, to come up with anything controversial. But the panel confounded expectations when its report was published as soon as the stock market closed on Friday.

Although its five key recommendations are broadly worded, their tenor is radical. Underlying the far-reaching conclusions is a belief that "the massive volume, violent price volatility, and staggering demands on clearing and credit raised the possibility of a full-scale financial system breakdown". The Brady Commission calls for immediate action to protect the financial system from violent market breaks.

The first recommendation of the report is that one institution should co-ordinate the few, but critical, regulatory issues which have an impact across different financial markets and throughout the financial system. The Brady Commission believes the balance of evidence suggests the US Federal Reserve would be the most suitable candidate.

The key argument behind its call for co-ordination of regulation and supervision by one agency is motivated by a view often repeated

"From an economic viewpoint, what have been traditionally seen as separate markets - the markets for stocks, stock index futures and stock options - are in fact one market.

"Under ordinary circumstances, these marketplaces mova sympathetically, linked by a number of forces. The pathology which resulted when the linkages among these market segmeots failed, underlay the market break of October...

"Confronted with the massive selling demands of a limited number of institutions, regulatory and institutional structures designed for separate marketplaces were incapable of effectively responding to 'intermarket pressures'.

'The concern that some clearing houses and major market participants might fail, inhibited the intermarket activities of other investors'

"The New York Stock Exchange's automated transaction system, used by index arbitrageurs to link the two marketplaces, ceased to be useful for arbitrage after midday on October 19.

"The concern that some clearing houses and major market participants might fail inhibited intermarket activities of other investors. The futures and stock markets became disengaged, both nearly going into free-fall."

'Massive volume, violent price volatility and staggering demands on clearing and credit, raise the possibility of a full-scale breakdown'

The Brady Commission suggests that matters such as securities registration, tender offer rules, and regulation of stock and option trading practices should be left to the Securities and Exchange Commission which has the required expertise in these areas. Similarly, the responsibility for the design and regulation of futures contracts and markets should remain with the Commodity Futures Trading Commission.

The Commission favours the Fed as overall supervisor because of its broad expertise in the financial system as a whole and its relative independence which would enable it to "resist demands of partisan political and economic interests, particularly those of active market participants.

"The Federal Reserve, with its view of money flows, is experienced in assessing interactions and imbalances among marketplaces, as opposed to intramarket concerns. It has experience in international financial market co-ordination.

"The importance of these attributes is illustrated by the October break which involved not only stocks, futures and options but bonds, foreign exchange and international markets."

The Commission notes that in most countries, the central bank, as part of its broader responsibility for the health of a nation's financial system, is the intermarket regulator.

Another two of the report's recommendations stem directly from the perception that more co-ordination is needed between different financial markets. These uncontroversial proposals, widely expected to attract support, are that clearing systems should be unified across marketplaces to reduce financial risk and that information systems should be established to monitor transactions and conditions in related markets.

The Commission concludes that it was the complexity of clearing and credit mechanisms, rather than a substantive problem of solvency, which was at fault in the week of October 19.

"What is needed is unified clearing with stocks, stock index futures and stock options all cleared through a single mechanism. Unified clearing facilitates the smooth settlement of intermarket transactions,

"It clarifies the credit risk of lending to participants engaged in intermarket transactions. This would reduce the chance of financial gridlock and the attendant risk to the financial system."

On information, the report concludes that current systems are not effective in monitoring developments across inter-related financial markets. It suggests a system should be developed which incorporates the trade, time of trade and the name of the ultimate customer in each major market.

The final two recommendations of the Brady Commission are that "margins should be made consistent to control speculation and financial leverage" and that "circuit breaker mechanisms (such as price limits and co-ordinated trading halts) should be formulated and implemented".

The call for greater harmonisation of rules on margin requirements continues the theme of greater co-ordination between financial markets.

The Commission plainly believes low margin investment in futures creates speculative activity, not only in that particular market. If an investor can buy a hedge for a position in the cash market at relatively low cost, it may encourage the taking of larger positions.

The report pinpoints the low margin requirements of professional market participants rather than individual investors who it did not appear to have been heavy speculators.

The report plainly believes margin requirements in the futures market should be higher than now, but the language in this section of the study is rather vague and at times seems contradictory.

It talks of "consistency" between margins on stock index futures and stocks rather than equal margins in both markets. Similar margins should result in roughly equivalent risk and leverage between the two markets.

Then, the report seems to suggest after all, that differing margins are undesirable. "If, from a public policy viewpoint, a given margin level for investment in stocks makes sense, should lower margins and the potential for more financial leverage and speculative investment be allowed for market participants investing in stocks via derivative instruments? Should two margins requirements apply to what is, in effect, one market?"

'What have been traditionally seen as separate markets for stocks, stock index futures and stock options, are in fact one market'

The Commission argues circuit breakers would have three benefits. Firstly, they would limit credit risks and loss of financial confidence by providing a "time-out" to settle up and make sure everybody was solvent.

'Ordinarily, markets move sympathetically. The pathology which resulted when the linkages failed, underlay the market break in October'

Secondly, they would facilitate price discovery (or a genuine perception of value). Thirdly, circuit breakers would counter what the Brady Commission calls the "illusion of liquidity", in its view the misperception that markets have unlimited capacity to absorb huge one-sided volume.

The Commission dismisses the argument that trading halts may lock investors in, preventing them from leaving the market, and therefore exposing them to more risk. It argues that the clogging of the NYSE's automated transaction system, ad hoc trading halts in some stocks, jammed communications systems and some less-than-responsive market makers had in effect been circuit breakers.

"The October 1987 market break demonstrates that it is far better to design and implement coherent, co-ordinated circuit breaker mechanisms in advance, than to be left at the mercy of the unavoidable circuit breakers of chaos and system failure."

The report particularly urges that these mechanisms be rationalised across markets. This would avoid the situation which occurred in October's crash when the NYSE system went down, making index arbitrage impossible.

This robbed the index futures markets of their buying power, pushed futures to a large discount to the cash market and therefore put even more pressure on stock prices.

The remarks on price limits, which was regarded as the most controversial element of the report when press reports circulated on this aspect last week, were eventually left vague.

In its conclusions, the Commission suggests various topics which should be reviewed by the appropriate authorities. One is the fact that there are restrictions on short selling in the stock market but not in the futures or options markets, which could mean the restriction could become impossible if the futures market were to move in a certain way.

Another topic is the potential conflict of interest when market makers trade not only for their customers but also for their own account. A third is the question of whether specialists have adequate capital.

Finally, the Commission suggests that, in the case of large order imbalances, priority should be given to public customers rather than institutions.

Genscher in Warsaw for four days of discussions

BY CHRISTOPHER BOBINSKI IN WARSAW

THE West German Foreign Minister, Mr Hans Dietrich Genscher, arrived in Poland yesterday for a four-day visit, the first by a Bonn politician at this level since 1981.

He is expected to have talks with senior Polish officials including Gen Wojciech Jaruzelski, the Communist Party leader, as well as Mr Lech Walesa, leader of the banned Solidarity movement, and Cardinal Jozef Glemp, the head of the powerful Roman Catholic Church. The visit should push forward bilateral contacts over agreements covering environmental issues, protection for Western investment and scientific exchange.

But it is unlikely to bring much joy for Poland in the latter's quest for new loans. Indeed, the West Germans are holding out for outstanding payments on a DM1bn (£337m) credit extended in 1975 which fell due last autumn.

Opec 'unlikely to have to slash output'

BY STEVEN BUTLER

NEW ESTIMATES for developing-country oil consumption, made by the International Energy Agency, have raised hopes that the Organisation of Petroleum Exporting Countries may face an easier task balancing its production with world demand.

The IEA's review indicates that consumption is running at about 1m barrels a day more than the Paris-based agency had previously reported.

The higher estimate is attributed to the absence of any fall in heavy fuel oil use in the developing world, underestimation of oil consumption growth in the oil-exporting nations, and accelerating growth in countries such as Brazil and South Korea.

The increased consumption is balanced by a steady fall in stocks in recent years.

"I'm extremely encouraged by the report," said Mr Mehdi Varzi, an oil analyst at Kleinwort Grieveson. "The imbalance in supply and demand is nowhere near as bad as people thought."

Opec would not now have to trim its production as severely as it thought in order to support stable oil prices. The Opec crude production quota was fixed at 15.06m b/d in December, excluding Iraq, which produced 2.5m b/d last month.

The report shows that Opec crude oil production fell to 18.3m b/d in December 1987, compared to 19.0m b/d in November. Most of the reduction is accounted for by a cut in production by the United Arab Emirates of 0.4m b/d, to 1.5m b/d. Both the UAE and Kuwait produced well above their Opec quotas.

Assuming neutral stock movements, the requirement for Opec crude would rise to 20.2m b/d in the first quarter, fall to 16.9m b/d in the second quarter, and rise again to 18.1m b/d in the third quarter of 1988.

Final data for the third quarter of 1987 show a 2.6 per cent year-on-year increase in OECD oil consumption, and a 1.5 per cent increase for the first nine months of the year. The IEA projects a growth rate of 1 per cent in the year to the end of the third quarter of 1988.

Discounting particular factors influencing consumption in individual quarters, the IEA estimates an underlying growth rate in oil consumption in the OECD of 2 per cent over the past two years, underpinned by a steady increase in consumption of transport fuels.

Mr Marcel Kramer, an analyst at the IEA, said the agency's revised estimates for oil production and consumption were the result of a large effort to improve data collection from the Third World, and that the IEA's consumption estimates were now more in line with other industry and institutional statistics.

After seeing an early release of the report, several broking houses in the City of London issued strong buy signals for the oil stocks on the grounds that a collapse in oil prices now looked less likely. This helped contribute to a rally in the sector last week.

Analysts disagree about the implications of the report. Some argue that the report has no direct implications for oil prices but serves rather to explain why prices have remained as firm as they have in the face of such an apparent discrepancy between supply and demand.

Turkish PM hints at early local elections

BY DAVID BARCHARD IN ANKARA

TURKEY'S Prime Minister, Mr Turgut Ozal, yesterday hinted to members of his ruling Motherland Party that he plans to hold local elections this summer. They are not due until March 1989, and a constitutional amendment might be necessary to bring the date forward.

"We may hold the local elections in June, or next year, or in September. Let us be prepared," he said.

Early local elections would have serious implications for the Government's economic strategic as municipalities have created problems for the national economy by excessive spending on development projects over the past three years. Expectation of an early vote will make it almost impossible to rein in spending this year.

The Motherland Party won cootrol of 54 of Turkey's 67 provinces in the 1984 local elections, but its local government performance has been mixed. In Istanbul, the Motherland Party Mayor, Mr Bedrettin Dalan, has transformed the city, but in other cities, notably Ankara, the party has had a poor record and is deeply unpopular.

● Turkey has said it will sign a Council of Europe Treaty outlawing torture, Mr Mesut Yilmaz, the Foreign Minister, said yesterday.

● Two Turkish state banks have merged in a major rationalisation of the banking system caused partly by a large volume of non-performing loans, bankers told Reuter in Istanbul.

Anadolu Bankasi TAS and Turkiye Emlak Kredi Bankasi AO have merged to form Turkiye Emlak Bankasi AS, to be known as Konutbank, a Turkish name meaning Housing Bank.

Konutbank was established by official decree on Friday with an initial capital of TL225bn (£123m) and will become the third biggest bank in Turkey, according to its general manager, Mr Bulent Semiler.

Greek public sector pay to increase by 1-4%

BY ANDRIANA IERODIACONOU IN ATHENS

GREEK public sector pay increases for the first four months of 1988 have been set at between 1 and 4 per cent, representing 25-100 per cent compensation for projected domestic inflation, depending on salary bracket, the Economy Ministry announced yesterday.

As part of their January pay packets employees will also receive a similarly scaled lump sum payment of between 1.1 and 4.3 per cent to make up for the difference between projected and actual inflation in 1987, the last year of a two-year economic stabilisation programme hinging on a tight incomes policy.

Consumer price inflation in 1987 reached 15.7 per cent, against a target of 10 per cent. For 1988, despite a relaxation in incomes policy, inflation is projected at 12 per cent. To help contain prices the Economy Ministry announced a freeze on the prices of public sector services and fuel oil for the first four months of the year.

The announced wage increases are designed, in combination with income tax reductions, to give a minimum 3 per cent increase in real income in 1988. Over the previous two years workers suffered accumulated reductions of 10 per cent and more in average real earnings.

The Economy Minister, Mr Panayiotis Roumeliotis, called on the private sector to regard the increases as guidelines in setting collective wage agreements for this year, saying that the announced figures "exhaust the limits of the economy."

SHIPPING REPORT

Atlantic dry cargo trade opens year on firm note

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE New Year opened on a firm note for virtually all types of bulk carrier in the Atlantic dry cargo trades, where rates moved up daily.

Brokers said an 84,000 ton cargo was fixed from the US Gulf to Hamburg at $12.80 per ton, while a super-economy Panamax ship was timechartered at $13,500 per day from the US to the East.

Rates for the smaller "handy sized" ships also improved, and several vessels of between 30,000 and 35,000 tons deadweight were fixed at $8,000 per day for transatlantic round trips.

Denholm Coates, the London brokers, said several orders for early positions remained unfixed at the end of the week, and there was every indication that 1988 would be the best year for dry cargo owners since 1980/81.

The tanker market also opened on an optimistic note as low bunker prices and a 10 per cent increase in the basic Worldscale rate gave owners the prospect of profitable trading, at least in the short term.

E.A. Gibson, the London brokers, said there was a large build-up of VLCCs in the Middle East Gulf, however, where Japanese charterers had been virtually alone in inquiring for business.

Gibson's also noted that scrapping of tankers fell by nearly half to around 8m deadweight tons in 1987, reflecting the determination of owners to increase the lifespan of their ships.

WORLD ECONOMIC INDICATORS
TRADE STATISTICS

		Nov.'87	Oct.'87	Sept.'87	Nov.'86
UK (£bn)	exports	6.951	6.867	7.034	6.569
	imports	8.146	7.749	7.651	7.630
	balance	-1.195	-0.882	-0.617	-1.061
Japan (US$bn)	exports	19.669	18.995	19.525	17.203
	imports	12.220	11.808	11.329	8.323
	balance	+7.449	+7.187	+8.196	+8.880
		Oct.'87	Sept.'87	Aug.'87	Oct.'86
USA($bn)	exports	21.752	20.986	20.222	19.562
	imports	39.383	35.062	35.905	34.274
	balance	-17.631	-14.076	-15.683	-14.712
W. Germany (DMbn)	exports	45.80	44.66	43.46	43.55
	imports	37.21	34.22	34.51	34.82
	balance	+8.59	+10.44	+8.95	+8.73
France (FFrbn)	exports	74.96	75.65	76.55	71.30
	imports	79.80	78.04	77.64	71.09
	balance	-4.84	-2.39	-1.09	-0.21

UK NEWS

Jaguar forecasts strong recovery in US market

BY JOHN GRIFFITHS

JAGUAR, the UK luxury car maker, which has been stung by speculation that its prospects have become increasingly gloomy because of the stock markets crash, forecast at the weekend that sales in its all-important US market would recover by 2,000-3,000 units this year.

It said growth elsewhere would justify plans to step up car output by nearly 20 per cent, or 8,000 units, to 56,000.

It is now known that Jaguar has also extended substantially its forward buying of the dollar. It has cover for all of 1988 at £=$1.54 and for the first six months of 1989 at $1.65, compared with the current level of $1.81.

In these circumstances, Jaguar's management is understood to believe that, without cutting back its heavy investment programmes, profitability will be restored this year to around the 1986 level of £120.8m (now worth about $217m) after a relatively sharp drop in the year just ended.

The results for 1987 will not be published for some weeks. But most analysts have been looking for a pre-tax result in the region of £90m-95m.

Mr David Boole, Jaguar's public affairs director, said that 1988 sales in the US would reach 25,000-26,000 units, from 22,919 in 1987, despite the turmoil on the exchanges. Even so, this is about 2,000 less than the forecasts Jaguar was making last autumn, before the markets collapsed. And last year's sales figure represents an actual decline from the 24,500 units sold in 1986.

However, Jaguar blames the fall mainly on production inefficiencies arising from the introduction of the new XJ model range, which led to 2,000 fewer cars than expected being produced last year.

Mr Boole claimed evidence of support for his contention that Jaguar's US sales are not slipping in the figures for December, when they reached 2,848 units - the second best ever for a single month.

His comments coincided with the release of figures by Jaguar showing that its total 1987 sales were a record for the fourth year in a row at 48,612. This was a rise of 14 per cent on the 40,971 sales of the previous year.

Sales in Continental Europe were up 51 per cent at 6,559 and in the UK up 46 per cent to 11,102 from 7,579. Sales in the rest of the world, excluding North America, increased 36 per cent to 3,381.

Mr Boole said Jaguar had circulated its US network late last year offering to redirect cars to other markets if any dealers were concerned about a possible downturn. "We can sell the cars almost anywhere — there's a 12-month pipeline in the UK, for example. But the US dealers gave a colossal 'no'".

However, Jaguar will have less freedom to raise prices in the US this year. During the past two years the D-Mark has climbed more strongly against the dollar than sterling, allowing Jaguar, as chairman Sir John Egan said, "to shelter under the umbrella" of price increases by Mercedes and BMW.

However, Jaguar now feels that its West German rivals are approaching the limit of increases without meeting market resistance, constraining its own ability to increase prices — "we've finally got leaks in the umbrella", said Mr Boole.

However, he claimed that while there were signs of a softening of the US market for cars above $50,000, those at the $40,000 level at which most Jaguars, Mercedes and BMWs compete were expected to remain unchanged.

"Don't get the idea we're complacent — we're watching the situation very closely indeed. But, that said, we're feeling fairly comfortably compared with some other luxury car companies", said Mr Boole.

Portfolio of nature reserves may join privatisation list

BY LYNTON MCLAIN

The Government is considering selling 224 nature reserves — which include some of the most beautiful stretches of countryside in Britain — but the environment department said yesterday that there would be no change made in the use of the land.

Mr Nicholas Ridley, the Environment Secretary, initiated a policy review a year ago of land held by the Nature Conservancy Council.

The council was asked "to look again at its portfolio of land holdings and to consider whether it was useful for it to continue holding all the land or whether it should be sold," the environment department said yesterday.

Mr Peter Hardy, a Labour MP who is chairman of the Council of Europe environment committee, is tabling a House of Commons question to Mrs Margaret Thatcher, Prime Minister, requesting her assurance that these privatisation plans "cease" immediately and demanding an undertaking that Britain's nature reserves will remain in national ownership.

He said yesterday that he was horrified by the report. Compared with other privatisations which amounted to selling the "family silver" these reserves were "the family gold", he said.

The nature reserves include the best of the Norfolk Broads in eastern England, the Scottish Highlands, Upper Teesdale in the north of England, the Avon Gorge in the west of England, the Scottish island of Rhum, famous for its red deer, parts of the Gower Peninsular and the Isle of Skomer in Wales.

Mr Tam Dalyell, Labour MP, said he was appalled at the prospect of these sales going ahead. He has tabled a question to Mr Ridley demanding an explanation.

The environment department said that the Nature Conservancy Council had not presented Mr Ridley with a definitive report on its land holdings, but the council would consider "hiving off some of the National Nature Reserves, for example, possibly to the Royal Society for the Protection of Birds."

The review was described by the department yesterday as "all very routine, in line with reviews of land holdings by other bodies and it was continuing."

The department said the Government was concerned to bring derelict land back to life.

In Brief

TV union offers basis for ending lockout

The ACTT technicians' union is prepared to discuss new working practices at TV-am, ITV's breakfast television company, in return for an end to a lock-out of 229 employees, a senior official of the union said yesterday.

Mr Jack O'Connor, an ACTT national organiser, said he had written to the company asking for further exploratory talks after a private meeting with Mr David Davidovitz, TV-am director of production.

Mr Bruce Gyngell, TV-am managing director, is seeking an end to demarcation between technical grades at the company.

Teaching challenge

Leaders of the National Union of Teachers, the biggest teaching union, have urged Mr Kenneth Baker, Education Secretary, to insitigate a "full and impartial" investigation into the recruitment and retention of teachers.

The union challenges Government claims that imposed pay levels had stabilised the number of teaching vacancies and improved recruitment to teacher training.

Savings advance

Most employees contracted into Save-as You-Earn (SAYE) share option schemes have seen the value of their investments at least triple over the past five years, according to a survey by Industrial Relations Services.

This found that, even with the stock market crash last October, share prices were still a "long way above" their values in 1981/82 when many of the schemes with options currently reaching maturity began.

Union urges ballot

Electricians' union leaders are supporting the idea of a ballot to test the level of satisfaction among workers in companies which have signed single union agreements.

The electricians have signed the largest number of the controversial single-union, strike-free deals.

Ports escape disruption in Customs switch

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

BRITAIN'S PORTS kept goods flowing last week, in spite of widespread predictions of chaos following new arrangements for Customs documentation.

The European Community switched from January 1 to e Single Administrative Document for Customs declarations, replacing about 100 existing import, export and transit forms.

At the same time, Customs tariffs switched to a harmonised coding system offering a choice of 13,000 numbers of 11 digits rather than the previous 9,000 eight-digit numbers. Changes were also made to procedures for warehouse valuation.

However, the UK appears to have avoided the potential administrativa disaster only through a combination of e reduced volume of trade and e successful scare campaign by the Customs and Excise authorities.

Before Christmas, Customs officials repeatedly warned that many British companies had failed to prepare properly for the change-over and others had left preparations in the hands of junior staff.

Mr Douglas Tweddle, the Customs assistant secretary co-ordinating the change-over, said the campaign had succeeded in making most importers and exporters aware of what was happening.

Mr Tweddle said the number of errors in documentation had been higher than normal, but not enough to cause serious delays.

He warned, however, that detailed trade statistics for the first part of the year could be less reliable than usual. This could have serious consequences for many companies, which use the statistics as a source of market information.

Customs officers were helped in keeping goods flowing by the high level of computerisation of import documents and a seasonal reduction in the level of trade at many ports.

Among the bigger ports, Dover was operating at around 80 per cent of normal levels, Felixstowe and Southampton at around 75 per cent. Trade was also below normal levels at the seven airports operated by the British Airports Authority.

Customs officers say they are cautiously optimistic that the UK will escape serious dislocation as a result of the changes, although they remain concerned that problems may arise as the level of trade picks up.

Freight forwarding companies, which provide documentation for many of the goods moving through British airports, confirmed that the change-over had gone relatively smoothly.

Mr Bert Lusty, international operations manager of MSAS Cargo International, part of the Ocean Transport and Trading group, said there had been some small problems, but that generally it had gone very well.

Mr Lusty said traders who had made mistakes were likely to become better acquainted with the system quite quickly because of the volume of goods they were handling.

Lawson urged to cut total of unemployed by 1m

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

A CALL for the Government to use the Budget in March to begin a programme which would cut 1m from the unemployment total within three years is made today by the Employment Institute.

In a series of recommendations to Mr Nigel Lawson, the Chancellor of the Exchequer, the institute says that on the basis of present policies the total level of unemployment is likely to rise again this year.

Tax cuts in the Budget would be the least effective way of tackling high unemployment but even if Mr Lawson goes ahead with them, there is scope for more direct action to cut the dole queues.

The institute, an independent pressure group, says a "responsible" package of measures would add £4bn to the level of public borrowing next year. Three-quarters of that is already allowed for in the Government's medium-term financial strategy.

The jobs programme should concentrate on measures which improve the supply-side of the economy, minimising any danger that a stimulus to the economy would be dissipated in higher inflation.

Among the key elements would be a move to provide a jobs or training guarantee within three years for the long-term unemployed, and a cut in employers' national insurance contributions for the low-paid and for those in unemployment blackspots.

The package would also include higher spending to rebuild the country's infrastructure, increased benefits for families and pensioners and extra resources for the health service.

The institute estimates that over three years its programme could cut unemployment by 1m. The cost per job would be well below half of that needed to generate extra jobs through tax cuts.

APPOINTMENTS

New director at Yorkshire Bank

Mr F. Graham Sutherland, general manager of the YORKSHIRE BANK since 1978, has been *appointed a director*. Mr Sutherland, who will continue as the bank's chief executive officer, is the first general manager in the 128 years history of the Yorkshire Bank to be appointed to the board of directors. A director of all the bank'e wholly-owned subsidiaries, he is also chairman of Eden Vehicle Rentals, e vehicle contract hire company in which the bank recently purchased a controlling interest.

★

Mr Ranjit Mathrani and **Mr Jonathan M.K. Pearson** have been appointed directors of STANDARD CHARTERED MERCHANT BANK. Mr Mathrani was an executive director of Lazard Brothers & Co., and Mr Pearson remains managing director of Standard Chartered Bank Asia, Singapore, a wholly-owned subsidiary. **Mr Lee J. Palmer** has been appointed an assistant director.

★

FERGUSON INDUSTRIAL HOLDINGS, Appleby Castle, Cumbria, has appointed **Mr Ian Bonas** as a non-executive director. He is a director of Widney, and chairman of ICC Electronics and of Bonas Griffiths.

★

COUNTY NATWEST has appointed **Mr Graham Dewhirst** as associate director to lead the venture capital team based in Leeds. He joins from Robson Rhodes, where he was a corporate finance partner.

★

Mr Peter Malpas has been appointed a non-executive director of PENNY & GILES INTERNATIONAL. He was deputy senior partner of Quilter Goodison, stockbrokers to Penny & Giles, prior to his retirement.

★

Mr David Oswald has been made managing director of STERLING METALS, based in Nuneaton.

★

SYSTEMS DESIGNERS has appointed **Mr Philip Wallbank** company secretary. He remains treasurer and group accountant.

★

Following the death of **Mr R.M.P. Shields**, deputy chairman and managing director of ASSOCIATED NEWSPAPERS HOLDINGS, **Mr C.J.F. Sinclair** has been appointed managing director. Mr Sinclair was deputy managing director.

★

Mr Paul G. Elster has been appointed a director of GROSVENOR SQUARE PROPERTIES GROUP, part of Associated British Ports Holdings. **Mr John Sherwood** has been appointed a director of Grosvenor Sqoare Properties Developments, main development subsidiary of Grosvenor Square Properties Group.

★

COUNTY NATWEST has appointed **Mr Colin Kaye** and **Mr Stephen Moore** as directors. Mr Kaye joins from the armed forces, and Mr Moore was a regional director in the Manchester office. **Mr Martin Clarke** has been promoted to e director to head international fixed-income sales.

★

Mr Michael Yorke has been appointed marketing director of REED EMPLOYMENT. He was European marketing director of Hertz.

★

Mr Alan J. Hyder has been appointed to the board of BARKER, KILN & PARTNERS.

★

Mr Stuart G. Sharkey has been appointed executive director - finance of DOWTY MARITIME SYSTEMS' communications division. He joined the group in 1980. **Mr Mike Hyslop**, a director of the communications division in addition becomes financial controller of Dowty Maritime Systems.

★

Mr Steve Keeling is appointed managing director EXPRESS DISTRIBUTION in succession to **Mr Colin Fraser**, and joins the board of Express Foods Group.

★

Mr Clive Duncan has been appointed to the board of H.H.PEGG. He joined the associate company Pegg Haindl last year.

★

Mr Andy Laing, deputy general manager, has been appointed e director of LOMBARD CONTINENTAL INSURANCE. In addition to his current responsibilities, he will be taking control of the company's London market non-marine underwriting.

TSB unit to expand treasury activities

By David Lascelles

THE TSB England and Wales, the largest member of the TSB group, is planning an expansion of its treasury activities following the completion of a City trading room.

Lord Cobbold, recently appointed general manager in charge of financial markets, said the bank would be enlarging its established sterling operations and would begin to develop its business in the foreign exchange markets.

The TSB England and Wales is unusual among high street banks in that it takes in far more deposits than it can lend. Much of its treasury activity is therefore directed to placing surplus funds in the market.

Lord Cobbold said the bank's money book amounted to £5.5bn which it placed in short-dated gilts and other money market instruments. A further £1.5bn-£2bn was invested in the bank'e strategic portfolio. Together, these accounted for more than half the bank's £11bn of assets.

Although the bank could divert these resources into a rapid expansion of its loan book, it preferred to build up its loan business more cautiously, be said.

The trading room in Lower Thames Street cost £1.8m to build and has a staff of 50.

Warburg most active in advising on bids

BY MARTIN DICKSON

S. G. WARBURG was the most activa securities house advising companies in 1987 on takeovers involving the UK, according to a survey by Mergers & Acquisitions, a magazine published by the Financial Times group.

Morgan Grenfell was the most active house in bids for UK quoted companies, in spite of the adverse publicity of the Guinness affair, advising on deals worth £5bn (see table one).

However, when bids for unlisted UK companies and overseas acquisitions or disposals by British companies are addad, Warburg emerges on top. (table two)

It advised on 75 deals, worth £7.03bn, with Schroder Wagg in second place with 73 deals worth £6.2bn, and Morgan Grenfell third with 58 deals worth £5.4bn.

However, Warburg'e lead would have been much reduced were it not for its involvement in US bids in which American securities houses took e role in advising its clients.

Over the past few years Morgan Grenfell has generally been the most active house for bid activity, closely followed by Warburg and Kleinwort Benson.

Kleinwort has slipped a little down the latest lists. After a slow start to 1987 it became involved in some of the biggest UK bids launched near the end of the year, but these are not included in the survey, whicb only covers bids concluded by December 31. Schroder Wagg has advanced strongly, helped by its *successful defence of Pilkington* in the £1.16bn bid from BTR at the start of the year.

Two of the biggest falls in the table, compared with previous years, are recorded by Hambros and by Hill Samuel, the merchant bank acquired by the TSB Group last autumn after months of takeover uncertainty and internal dissension. Hambros ranks 16th in bids for quoted UK companies, with deals worth £802m, compared with fifth place in 1986, while Hill Samuel is 17th, compared with 10th in 1986, with deals worth £740m

Among the rising stars is Charterhouse, which acted for the management team in Britain's biggest management buy-out, the £715m sale of the MFI furniture group by Asda, the supermarkets chain.

Samuei Montagu, the investment banking arm of the Midland Bank, also had a particularly good year. Its credits *include advising the small* WPP group on its audacious £352m bid for J. Walter Thompson, the US advertising group, and helping Argyll Group in its £681m purchase of the UK operations of Safeway, the supermarket chain.

Another sharp improvement was by Lazard Brothers, which *acted for TSB in its £777m* bid for Hill Samuel and for British Airways in its £250m battle to acquire British Caledonian.

US investment banks do not figure prominently in 1987 bids for UK quoted companies. However, in a year when British companies spent heavily on US acquisitions, they do feature in the combined UK and international table.

The front-runner is Goldman Sachs – eighth in the table – with deals worth about £4.1bn. That excludes its advice to British Petroleum in the biggest deal of the year – the $7.9bn *(£4.37bn) buy-out of minority* shareholders in Standard Oil – which is outside the scope of the survey.

Among other US banks, Morgan Stanley ranked 11th, with deals worth £2.97bn and First Boston 14th with deals worth £2.5bn.

BIDS FOR UK QUOTED COMPANIES

	Adviser	Value £m	Number
1	Morgan Grenfell	5,009	33
2	SG Warburg	4,516	24
3	Schroder Wagg	3,479	22
4	Kleinwort Benson	2,886	18
5	Charterhouse	2,819	15
6	Lazards	2,492	25
7	Samuel Montagu	2,463	25
8	BZW	2,102	17
9	County NatWest	2,052	20
10	Barings	1,965	12

Note: Includes only bids for companies quoted on main London market, *USM and Third Market declared unconditional by December 31*.

BIDS FOR ALL UK COMPANIES AND BRITISH BIDS ABROAD

	Adviser	Bid value £m	Number
1	SG Warburg	7,027	75
2	Schroder Wagg	6,223	73
3	Morgan Grenfell	5,401	58
4	Charterhouse	5,293	46
5	Samuel Montagu	4,923	66
6	Lazards	4,752	68
7	Kleinwort Benson	4,343	44
8	Goldman Sachs	4,153	14
9	BZW	4,130	41
10	County NatWest	3,333	42

Note: Value of some private bids not disclosed by advisers; totals do *not include tender offers and buy-outs of minority stakes*

US estate group sets up London branch

By Paul Cheeseright, Property Correspondent

JMB REALTY, one of the biggest US property investment and management groups with investments *normally of about $1bn a* year, has set up its second overseas office in London.

The London business is intended to attract UK and European capital for investment in US property and find opportunities for US investment in UK property.

Its eetabiishment marks a departure from normal US practice: hitherto US involvement in UK property has been through owner-occupiers, like the big banks in the City of London, or through the leasing of premises.

The JMB move comes against the background of uncertainty about tha property intentions in London of the US securities houses following the collapse of equity prices last October.

JMB has a $20bn property portfolio which includes 65m sq ft of retail space and 55m sq ft of office space in North America. It draws its funds from 350,000 US investors and 300 US financial institutions.

The London office, under the control of Mr Theodore Stern, will not be confining its activities to the south-east, the area *most favoured by overseas investors* in UK property.

British economy 'to outperform rest of Europe'

BY ALAN PIKE

THE UK's prospects for the coming year are better than those for most of the other larger European economies, Cambridge Econometrics concludes in a forecast published today.

Manufacturing output is forecast to grow by 3 per cent in 1988 which, although down from 5-6 per cent last year, would be about double the expected level of growth in industrial production in West Germany. Although the UK's overall industrial production is likely to rise by only 1.4 per cent, this is largely because of a continuing decline of North Sea oil.

The UK construction sector should see growth of 6 per cent this year, suggests Cambridge Econometrics.

However, the report adds that the "dramatic declines in unemployment of late 1987 are expected to come to an end in 1988 as the economy slows down." If anything, it predicts, unemployment will rise slightly to 2.8m in 1989-90 before declining over the 1990s to 2.5m.

Balance of payments deficits of the last two years are also forecast to worsen again as both the sterling price and output of North Sea oil show further declines. The growth of exports at 2.8 per cent a year is expected to be significantly below that of imports at 4.3 per cent in 1988.

In the longer-term, the report, which looks at prospects for industry and the British economy to the year 2000, predicts 2 per cent annual growth in GDP – "lower than in recent years but good by average UK post-war standards." Above-average growth is likely in construction and services.

Cambridge Econometrics, the commercial wing of a Cambridge University Department of Applied Economics research team, also looks at the possible consequences for the economy of a world recession.

A collapse of the dollar to an average sterling value of 1.88 this year, accompanied by world recession on a comparable scale to 1975, would, suggests the report, increase unemployment by nearly 400,000 by 1990 and halve the growth rate to 1 per cent a year by 1988-90.

However, the report says the UK is likely to be less affected by a world recession than most industrial countries. This is because North Sea oil and gas output is likely to remain relatively unaffected and because, compared with other countries, UK imports tend to fall further than UK exports in a recession.

Industry and the British Economy to the Year 2000. Cambridge Econometrics, 21 St Andrews Street, Cambridge, CB2 3AX

● European countries should be doing more to boost economic growth, Mr Christopher Johnson, chief economic adviser at Lloyds Bank, argues today. He says in the bank's monthly International Financial Outlook that it is too easy for other countries to blame the US for doing too little too late. Fiscal expansion would be more effective in generating real demand if it were carried out as a co-ordinated European policy.

Heath urges backbench revolt over secrets act

BY IVOR OWEN

MR EDWARD HEATH, the former Prime Minister, yesterday urged Tory backbenchers to defy a government three-line whip and vote for a Private Member's Bill to reform the Official Secrets Act when it is debated in the Commons on Friday.

He joined with Mr Roy Hattersley, Labour's deputy leader, in deploring the Government's decision to depart from precedent by whipping its supporters on what by tradition should be an occasion when the front benches on both sides leave backbenchers free to decide for themselves whether to support or oppose the Protection of Information Bill.

Speaking on BBC television, Mr Heath described the decision to impose a three-line whip as monstrous and urged his backbench colleagues to show their independence on an issue where the need for reform had long been recognised.

The reform would restrict the "catch all" Section Two of the 1911 Act by providing a defence for civil servants who make unauthorised disclosures of official information in the belief that they are furthering public interests.

Its chief sponsor, Mr Richard Shepherd, Conservative MP for Alridge Brown Hills, confirmed that Mrs Thatcher, the Prime Minister, had refused to meet him to discuss the bill.

He stressed that if the bill secured a second reading, the Government would have the opportunity to introduce amendments at the committee stage.

Mr Shepherd cited the recent disclosure that the Macmillan Government concealed the extent of the disaster at the Windscale nuclear plant in 1957.

Owen sets out plan to keep SDP separate

By Ivor Owen

DR DAVID OWEN and his allies yesterday announced the next stage in their plans for preserving the Social Democratic Party as a separate entity, initially under his leadership, in spite of the attempts to merge it with the Liberals.

The move is certain to infuriate Mr Robert Maclennan, who since taking over the leadership of the party from Dr Owen has shown skill and determination in trying to ensure that the essential principles on which it was founded are not undermined in joining forces with the Liberals.

Dr Owen has sought to keep control of the key levers of powers provided by the SDP's constitution by ensuring that his views have secured majority support in the party's national committee.

It was this body which yesterday issued a consultative paper outlining the procedures Dr Owen and his followers wish to see followed when on March 1 the newly-merged party is expected to announce interim arrangements to take over the roles of the decision-taking executives in the SDP and Liberal parties.

The SDP national committee announced that on March 1 it would continue to operate under the party's 1985 constitution, with all major office holders continuing in their posts until September 1989, when there would be fresh elections.

Dr Owen will be nominated as leader by his two cohorts in the Commons, Mr John Cartwright, MP for Woolwich, and Mrs Rosie Barnes, MP for Woolwich.

Mr Mike Thomas, who was among those who defected from the Labour Party when the SDP was formed, forecast that by continuing as a separate entity the SDP would attract widespread and growing support.

US aero group in bank venture

By David Lascelles

McDONNELL DOUGLAS, the US aircraft manufacturer, has obtained a licence from the Bank of England to open a banking business in London.

The operation, to be called McDonnell Douglas Bank, is expected to be based around the company's aircraft leasing and financing activities. Mr Anthony Nelson, an executive, said details would soon be released.

The authorisation is a rare example of an industrial concern being allowed to engage in banking in the UK. Until last year's Banking Act, any new entrant into the business would be allowed to call itself only a deposit-taker.

Peter Riddell assesses the careers of Lord Whitelaw and his successor Lord Belstead

Loyal member of the old guard bows out

THE RESIGNATION of Lord Whitelaw, widely expected since his mild stroke a month ago, removes the second most powerful figure in the Government to Mrs Margaret Thatcher.

Ever since she became Conservative Party leader in February 1975, Lord Whitelaw – known as Willie in the political world – has been her loyal deputy. He has defended her against internal and external critics, and intervened at crucial moments to influence the course of decisions and appointments.

Indeed, the speculation in the past month over possible successors has underlined how central he has been to the Government, and how much Mrs Thatcher has depended on him. Replacing him involves finding not only a new leader of the Lords, but also a chairman of several key Cabinet committees, and a fixer who has resolved conflicts between ministers.

Lord Whitelaw has been famed, and widely liked, for his calculated indiscretions – Willieisms – funny, and at times apparently naive, remarks which often got to the core of a problem, or defused an awkward situation. He has been the classic example of the clever and shrewd professional appearing to be a bluff English amateur. His warning in the 1970 election against "stirring up apathy" is legendary.

His booming "splendid, splendid" to almost any remark has disguised an agile, and self-aware, operator. He has been helped by an expressive face – "old oyster eyes" – which registers both pleasure and pain, as well as occasional bursts of anger.

Lord Whitelaw: skilful Cabinet conciliator

Lord Whitelaw's career throughout has been as a loyal servant of the state – in the army, as a Conservative backbench MP, whip, and minister in the Macmillan, Home, Heath and Thatcher governments. He has been one of the last of the landed, military tradition of Tory squires and paternalists, yet his longest service has been as the lynchpin of an anti-paternalist administration of middle class professionals and businessmen.

He has always supported his leader of the moment. For instance during the Tory leadership crisis of 1974-75 he refused to challenge Mr Edward Heath in the first ballot, even though he was the obvious and popular successor. This allowed Mrs Thatcher to take the initiative and win in the second ballot. He then immediately became her deputy, acting as a bridge with the former supporters of Mr Heath who initially dominated the shadow Cabinet and were highly sceptical about their new leader.

More recently, Lord Whitelaw strongly backed Mrs Thatcher during the Westland crisis in January 1986 and was, and has remained, highly critical of the allegedly disloyal behaviour of Mr Michael Heseltine when he resigned as Defence Secretary.

At times, his loyalty has been tested – and he has shown his irritation in private. But publicly he has been loyal except once at the Conservative Party conference in Blackpool in 1981 when Mrs Thatcher ostentatiously applauded speakers who attacked his record as Home Secretary. Afterwards, there was a row, and strains.

Lord Whitelaw's critics – and there have been some among his former allies – have argued that he has had a one-sided relationship with Mrs Thatcher. He has been loyal, and she has given nothing in return. The accusation is that he has always compromised and has never been prepared to fight for the paternalists and their causes.

Yet he has been the highly skilful conciliator of the Cabinet, ensuring that in most cases arguments do not become too open and can be sorted out. In this he has worked closely with Mr John Wakeham, now the leader of the Commons, and previously the Chief Whip – as he did during the Heath administration with Lords Pym and Prior.

Educated at Winchester and Cambridge – where he was a golfing blue – Lord Whitelaw was then immediately caught up in the war. He served as an officer in the Scots Guards (Tank Battalion), winning the Military Cross in the Normandy campaign and being twice mentioned in dispatches.

He spent most of the late 1940s and early 1950s as a farmer, twice unsuccessfully fighting Dunbartonshire in the 1950 and 1951 general elections, before being elected in 1955 for Penrith and the Border which he represented until he was created a viscount in 1983.

He moved to the Lords in June 1983 with obvious relief but he quickly discovered the upper house as difficult as his former job

He then quickly rose up the insiders' route – first as parliamentary private secretary to Lord Thorneycroft as President of the Board of Trade and as Chancellor, then from 1959 in the whips office. From July 1962 until October 1964 he served as parliamentary secretary to the Ministry of Labour, before returning to become Opposition Chief Whip when the Tories lost office.

From then onwards, he was always a close ally of the Conservative leader of the day, first Lord Home, then from 1965 Mr Heath, and from 1975 Mrs Thatcher. He helped to protect Mr Heath from considerable party criticism in opposition up to 1970, as he did with Mrs Thatcher a decade later.

In the Heath administration he served first as leader of the Commons, then as the first Northern Ireland Secretary from 1972 when direct rule was suspended and the first attempt was made at a power-sharing agreement between the communities. When the industrial relations situation deteriorated in late 1973 he was briefly Employment Secretary, attempting to reach agreements with the trade unions.

When Mrs Thatcher was elected leader he became her deputy, and from January 1976 home affairs spokesman, later giving up responsibility for the thorny subject of devolution. After May 1979, he became Home Secretary, where he faced considerable internal party criticism over his attempts to deal with the rising crime figures and with the inner-city riots of 1981.

It was with obvious relief that he moved to the Lords in June 1983, but he quickly discovered that the upper house was every bit as difficult as his former job. The Government does not command an automatic majority and has been regularly defeated – more than 100 times between 1983 and 1987 – over its more controversial legislation.

Before his stroke Lord Whitelaw had been talking for some time of retiring later in the current parliament. Yet he had hoped to oversee the passage through the Lords of the first batch of the Government's radical legislation. His enforced resignation leaves a gap which cannot be filled by a single minister.

Testing time for a popular and painstaking peer

LORD BELSTEAD, the new Leader of the House of Lords, is the supreme example of the solid, hard-working and unambitious peer who forms the backbone of the Government's team in the upper house.

As such, he will inevitably appear a stopgap in view of Mrs Thatcher's unwillingness to contemplate a wider Cabinet reshuffle at this stage, as well as the reluctance of Sir Geoffrey Howe to be shifted.

Lord Belstead will thus be seen as a competent interim appointment until a more senior figure is appointed in a reshuffle in the middle of this parliament. He may be in a similar position to Lady Young, who served as leader of the Lords from September 1981 until June 1983 before having to step aside for Lord Whitelaw. She then served as number two in the Foreign Office for four years.

Yet Lord Belstead has the advantage not only of considerable popularity in the Lords but also a wide range of ministerial experience. He has served as minister from 1970 to 1974, and since 1979, starting as a junior to Mrs Thatcher in the Department of Education and Science for three years, and then briefly in the Northern Ireland Office before the Tories lost office in 1974.

Over the past eight and a half years he has been a minister in the Home Office, the Foreign Office, the Ministry of Agriculture and, since last June, the Department of the Environment where he has been responsible for water privatisation, environmental protection, the countryside and historic buildings and monuments. He has also served as spokesman for trade and industry, employment, the arts and the Civil Service.

Throughout he has built up a reputation for assiduity and common sense well above the average for the hereditary peers who form the bulk of Conservative ministers in the Lords and who have backgrounds similar to his.

Lord Belstead is 55 and was educated at Eton and Christ Church, Oxford. He was a preparatory schoolmaster and farmer in Suffolk before becoming involved in politics. He became a peer in 1958, succeeding his father, the first baron, a former Conservative MP, and chairman of the Commons kitchen committee.

Lord Belstead: talent for defusing argument

Lord Belstead, deputy to Lord Whitelaw as leader of the Lords since 1983, is respected by his fellow peers for his reasoned, painstaking efforts to defuse arguments and reply in detail to points made during debates.

However, he has never been seen as a leader or a particularly political figure – safe rather than exciting. His tact will now be tested as he attempts, mainly after Easter, to steer the Government's legislation on education and rates reform through a sceptical House of Lords where the Government does not enjoy an automatic majority.

Lord Whitelaw has already predicted trouble, notably over the proposal to allow schools to opt out of local authority control, and Lord Belstead will be relied on by Mrs Thatcher and fellow ministers to minimise defeats.

DTI launches strategy to boost smaller businesses

BY HAZEL DUFFY

THE NEW style of the Department of Trade and Industry will be unveiled by Lord Young, Trade and Industry Secretary, this week.

A revised approach will mark the end of sponsorship of industrial sectors and is designed to give the department a sharper profile in promoting a climate of enterprise. The aim is to strengthen support for business across sectors and to encourage expansion of smaller and medium-sized companies.

Financial assistance to companies investing in the regions is expected to be administered more selectively.

Lord Young, who has formulated the strategy following an internal review of all the department's activities, will present it as new, even revolutionary.

In many respects, however, it represents the culmination of the process started by Sir Keith Joseph when he went to the Department of Industry in 1979 and sought to curb government intervention in industry.

However, ministers found that there was a continuing role for government in industry, notably in encouraging the spread of new technology. The need to promote investment in the regions became greater with the contraction of traditional manufacturing industry.

Lord Young: promoting enterprise culture

The regional offices of the DTI will be given an enhanced role in making the department more accessible to smaller companies. Advisory support will be channelled through private sector agencies, such as local enterprise agencies, where possible.

This move takes account of the considerable opposition to the idea that "Whitehall knows best" which is implicit in services delivered by civil servants, and is in line with Lord Young's own ideas about the need to promote more of an enterprise culture in Britain.

The strategy has been drawn up to meet objectives set by Lord Young for the DTI last October. These are:

- To encourage competition and tackle restrictive practices.
- To improve the provision of information to businesses about new methods and opportunities.
- To create a larger market by privatisation and deregulation.
- To increase confidence in the markets by achieving a fair level of protection for consumers and investors.

Under the new strategy more effort will be put into extending support to the inner cities, in co-operation with other government departments.

- A paper published by the Bow Group today says government taxation policy is draining resources away from the poorest regions. Mr Rodney Atkinson, the author of the paper, argues that because of taxation policy, these regions are paying for 95 per cent of their own regional aid and that their capital and human resources are being absorbed by the south.

He advocates phasing out tax allowances – mortgage interest relief, pension contribution relief – and says the Business Expansion Scheme should apply to the poorer regions only.

State industries should be privatised regionally and takeovers of regional companies referred automatically to the Monopolies and Mergers Commission, he says.

City regeneration to be studied

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

A THREE-YEAR project to seek practical solutions to the problems of economic regeneration in Britain's cities is to be conducted by Liverpool University.

The programme, supported by a £270,000 grant from the Leverhulme Trust, is intended to produce policy recommendations for the revival of Merseyside and other urban areas affected by economic decline.

Staff at the university's Centre for Urban Studies will be assisted by Professor Dennis Judd, director of the Centre for Metropolitan Studies at the University of Missouri, St Louis.

A steering committee of local economic leaders is being set up to involve the business community in the project and to prepare for the implementation of the solutions it is hoped will emerge.

Mr Michael Parkinson, director of the Centre for Urban Studies, says the project will focus on conditions which could encourage economic regeneration rather than those which have caused decline.

The research will examine the role of local leaders and finance and investment institutions and the ways in which cities can use prestige projects to contribute to economic revival. It will draw together material on urban regeneration in the UK, US and Europe as well as conducting its own research.

A report by Spatial and Economic Associates, formed at the Faculty of Urban and Regional Studies at Reading University, challenges the "widespread contemporary belief" that the north of England is in an advanced state of economic decline.

The report, commissioned by Derrick, Wade and Waters, a professional property services practice, says that on a variety of measurements of economic growth and quality of life several areas of the north can stand serious comparison with 'favoured parts' of the south and are in some ways superior to them.

Some towns in the north, says the report, have more to offer, materially and environmentally, than their southern counterparts and are simply awaiting discovery.

A twin strategy of simultaneously regenerating depressed areas and promoting winners is required and the north has a bewildering variety of agencies and programmes attempting this regeneration.

The report says: "Yet one thing which is missing in this alphabet soup of activities is any sense of overall co-operation and effective co-ordination. This is important, because wasteful competition in the field of economic development is something which the north can ill-afford."

Komatsu cleared of dumping charge

By Nick Garnett

AN ANTI-DUMPING investigation of Komatsu has found the company not guilty of offending EC rules on components at its Birtley earth-moving machinery plant near Newcastle upon Tyne.

Results of the investigation are not due to be released until later this month. However, it is understood that European machinery makers which initiated the investigation have been told the Japanese company is operating within yardsticks set for component content.

Imports of Komatsu hydraulic excavators were subject in 1985 to 26.6 per cent anti-dumping levies.

Komatsu subsequently set up an operation at Birtley to produce excavators and wheel loaders and is now building these at the rate of 100 a month.

Grants from government and local authorities provided more than £2m of the plant's initial cost of £12m.

The Committee for European Construction Equipment makers last year asked Brussels to examine whether Komatsu was still bringing in more than 60 per cent of components by value from Japan.

The committee was suspicious because Komatsu is still importing from Japan all its diesel engines, the most expensive component.

To circumvent anti-dumping duties Komatsu had to show it was sourcing at least 40 per cent of components by value from outside Japan.

The Birtley plant has been criticised by Komatsu officials in Japan for not being as successful as hoped.

Swedish company to set up Telford plant

EWAB, a Swedish manufacturer of production equipment, is to set up a small plant at Telford, Shropshire, to make automatic conveyor systems.

Telford Development Corporation said the 16,000 sq ft plant represented an investment of £1.2m with a grants package of £90,000.

Our Industrial Staff examine problems caused by exchange rates

Companies get the dollar jitters

BRITISH COMPANIES have a more acute bout of dollar jitters than many are prepared to admit.

Their reticence to spell out the potential pitfalls of wildly fluctuating exchange rates is understandable given the vicious mark-down last month in the share prices of those companies deemed to be most exposed to dollar earnings.

Another consideration is that companies cannot predict the impact of the dollar's volatility on their earnings, particularly those with a spread of subsidiaries and worldwide markets.

Soma say that it is swings and roundabouts. GEC points out that the decine in the dollar has benefits for some of its US businesses. Its Cleveland medical equipment interests, for instance, have won export orders in the Far East on price.

The group's exports from the UK are mainly capital goods and systems, which are less vulnerable to price than consumer goods. For some UK-produced items sold to the US, such as Marconi's head-up displays for military aircraft, there is no comparable alternative product.

Behind the search for the silver lining, however, British companies are nervous. The exchange rate is one concern, although for companies with considerable US exposure and which have tended to sign up dollar deals six to nine months ahead, worry is not immediate.

The dollar has moved much further than anybody expected. There are fears about the wider implications of such movements, not just for the US market but also for markets in the European Community which are three times more important for UK exports.

The Confederation of British Industry says exchange rates have emerged as the main factor influencing business confidence in its talks with companies as it prepares its Budget submission.

At the individual company level, a few are highly exposed. British Aerospace says it is preparing to make "substantially larger financial provisions for future years" to cover possible trading losses from the fall in the dollar, since all civil aircraft sales are valued in dollars.

BAe lost $49m on its civil aircraft side in the first half of 1987, which it attributed to the dollar's fall. The second half loss will be higher. Most of its deliveries for 1988 have been covered by forward currency purchases, but the company admits it is difficult to decide on hedging for future years. Negotiations are being held with suppliers to try to persuade them to price materials in dollars.

However, companies which rely heavily on the US market refuse to be down-hearted, whatever the stock market has been saying. The US accounted for nearly half of Jaguar's total sales in 1987, and US targets for the current year have been set higher. The company predicts continuing buoyant demand for its products.

Jaguar has bought dollars forward for 1988 at an average rate of $1.54. For the first half of 1989, the purchase rate averages around $1.65. If the dollar continued to fall during the current year, the company would delay decisions on buying currency beyond the middle of next year.

The Rover Group, which went back into the US market nine months ago, shares Jaguar's view that the market is still buoyant. For the current year, it is covered by currency bought forward: but it would be difficult for the group to pull out and retain credibility with dealers and customers if the dollar continued to slide.

Dawson International, the Scottish textiles group, is highly oriented towards the US. It hopes to increase the volume of its sales of luxury knitwear to compensate for the impact of the dollar on its earnings. At the same time, it intends to develop products for more expensive, less price- sensitive sectors.

The declining dollar does not benefit only US exporters. Low cost producers of textile and clothing in the Far East, their currencies linked to the dollar, are taking advantage of the lower rates to accelerate exports.

Mr Richard Jeffrey, economist at Hoare Govett, says stock market reaction to companies with dollar exposure has been overdone. "Companies will find it harder to export and dollar profits will be worth less. But I do not think US demand for imports will be affected quickly. And the alternatives, i.e. dollar stabilisation, would have to be higher interest rates in the UK."

Share prices in the pharmaceuticals sector, which derives a good part of its earnings from US sales, have been hit hard. Yet Glaxo, with a third of its sales in the US, maintains that the currency effect is "mainly presentational." The company says that prescription drugs, its only products, are generally little affected by price movements.

However, exports are not the only consideration. Many British companies have been big investors recently in the US. The Hawker Siddeley engineering group has spent $200m (£111m) in the past two years. Earnings per share will be hit by the translation of dollar profits into sterling. "But we still believe that the purchases were right," says Mr David Bury, finance director. "What shareholders should be concerned about is that the acquisitions are healthy and profitable."

Mr Fred Smith, chief executive of APV, the food and beverage processing machinery group which has taken over Baker Perkins, admits: "It was not pleasant to have sterling at parity to the dollar or at $2 to the pound. However, it emphasises the strength to the group of its spread of manufacturing sites and markets."

Tory backbenchers urge business rate rise limit

BY IVOR OWEN

BACKBENCH Conservative MPs will urge the Government to promise that, when the uniform business rate is introduced in England in 1990, small businesses will not be subjected to a rise in excess of 12½ per cent in a single year.

Mr Michael Grylls, MP for North-west Surrey, who is chairman of the Conservative backbench trade and industry committee and of the small businesses bureau, will begin consultations on the framing of an appropriate amendment to the Local Government Finance Bill when the House of Commons reassembles today after the Christmas recess.

Anxieties among small businesses, particularly in the south of England where, as a consequence of revaluation the uniform rate will make the greatest impact, have already led Tory backbenchers to make strong representations to ministers to impose such a limit.

They have rececived a sympathetic response, but Mr Michael Howard, Minister for Local Government, who will be in charge of the bill when it is considered by a Commons standing committee, may be reluctant to accept an amendment that links a safety net for small businesses with a specific figure.

Ministers also plan to reassure further the CBI and other organisations representing business which view a uniform national business rate level as a potentially dangerous weapon.

Call for end to the Post Office's letter monopoly

BY DAVID THOMAS

THE GOVERNMENT should encourage a national postal service in competition with the Post Office, according to a report published today by the Adam Smith Institute, a right-wing think tank.

The report backs the abolition of the Post Office's letter monopoly on the grounds that it discourages choice for postal users and leads to poor industrial relations.

However, the institute suggests that because of the time needed to build up rivals to the Post Office "simply removing the letter monopoly would not necessarily be the best way to introduce such beneficial competition." Instead, the report says, the Government should follow the route used in telecommunications by inviting offers from companies or groups of companies to develop a competing national letter service.

It would be important under its proposals, the report argues, to allow sub-postmasters to work for the competing postal companies.

The institute dismisses fears that abolition of the Post Office's monopoly might result in a worse or more expensive service in rural areas

In order to prevent unfair competition, the report argues, the Government would also eventually have to privatise the Royal Mail.

The report is aimed at rekindling the debate before Christmas when a postal strike seemed on the cards

Letter of the Law. Adam Smith Institute, 23 Great Smith Street, London SW1P 3BL.

Recording industry

EMI gets the rhythm —and dispels the blues

David Thomas on the music group's quest for a sounder footing

NO COMPANY knows better than EMI Music, the only UK-owned concern among the giants of the music industry, that standing still in the volatile world of the recording business is a recipe for decline.

Under the leadership of Bhaskar Menon, the suave businessman who runs EMI's worldwide music business from Los Angeles, the company has, in the past year, carried out a series of actions designed to put it on a sound footing for the rest of the decade.

Two factors formed the backdrop to these plans: the first helpful, the second unsettling. The first was the steady gains in profitability of most music companies, spurred on by booming sales of high-price, high-margin compact discs.

The second were persistent rumours that EMI's parent, Thorn EMI, was interested in selling its music division as part of its own thorough-going restructuring.

Thorn, having sold several of its largest businesses in 1987, now says firmly that it has never seriously considered selling its music wing and that it counts music as one of its core activities. Yet Thorn's tough top management has shown itself to be unsentimental about disposing of activities which do not come up to scratch.

EMI's golden days were in tha 1960s and early 1970s, when it had the pick of the British pop stars who dominated the world scene. But the very success of those years generated complacency. "EMI lost its competitive edge," acknowledges Menon, who joined EMI as a management trainee from Oxford some 30 years ago and who has in the past year carried out the first major management restructuring of EMI since the company was acquired by Thorn in 1979.

"Looking back, EMI was not able to withstand as well as we wished the impact of the sudden surge of competition from two different sectors," Menon continues.

The twin pincers squeezing EMI were, from one side, the other giants of the world scene such as CBS, the US company bought in November by Sony of Japan, and the PolyGram record subsidiary of Philips of the Netherlands, and, from the other side, the often quicker reacting medium-sized British independents.

EMI's capacity to respond to such challenges was blunted by it being viewed as a cash cow by Thorn EMI immediately after Thorn acquired the business. "They really tightened down far too hard on it, creating an attitude of caution, when other music businesses were investing heavily," according to Bob Nellist, Thorn EMI's finance director.

'We are signing more acts, entering into much higher levels of commitment.'

In consequence, EMI was in worse shape than many of its rivals to cope with the downturn in the music business of the early 1980s. In recent years, EMI has often been toppled from the number one slot even in the charts of the UK, its home base. Yet its most pressing problem was in North America, which is both the world's biggest market and the largest source of pop talent for the rest of the world.

EMI has been investing heavily to boost its market share in North America which has not been big enough to generate profits there. In Menon's words, the company in the US set out on an "active, aggressive talent acquisition... We are signing more acts, entering into much higher levels of commitment."

This has involved the company's North American record labels hiring more staff skilled in the subtle arts of talent spotting. Extra people were also brought into the very top levels of EMI's US operations. They have usually been poached from rival companies, a common industrypractice.

This influx was partly designed to stir up EMI's North American operations — to create the feeling that things were beginning to happen, an important factor in attracting new acts in this image-conscious business. It also released Menon from his previous role as chief executive of EMI in North America, leaving him free to concentrate on its worldwide strategy.

Extra investment went hand-in-hand with paring back on costs, a process which still has some way to run. The latest example was last month's decision to close EMI's last remaining blank tape operations in Virginia. In June, the group merged two of its North American labels, EMI America and Manhattan, to form an east-coast based label of similar weight to its Los Angeles-based Capitol Records.

Menon points to last year's results as proof that the North American strategy is working. Sales were up by 38 per cent, more than double the estimated rate for the US industry as a whole. EMI's market share advanced to 9.5 per cent, against 6.5 per cent some four years ago, and within sight of the 12 per cent needed for breakeven in the US.

"It was a breakthrough year. It is unrealistic to expect that level of growth consistently," says Menon, who adds that he would be disappointed if EMI does not reach breakeven in North America in the next financial year.

The management shake-up in North America has been parallelled in the rest of EMI's business. New people have been appointed to head many of EMI's key divisions. The business was reorganised so that the UK, the only country to rival the US as a source of new acts, reported directly to Menon, rather than indirectly as had been the custom.

A new international marketing division was given the job of promoting EMI's Anglo-American records in countries other than the US and the UK, freeing executives in those countries to search for home-grown talent.

The company is also in a better position now to profit from the worldwide explosion in compact disc sales, a music revolution which Menon acknowledges EMI was late in appreciating. In 1986, EMI opened two compact disc plants — an American one in Illinois and a British one in Swindon — allowing it to exploit more fully in the new medium its reservoir of superstar repertoire such as the Beatles, Tina Turner, David Bowie, Pink Floyd, the Beach Boys, Frank Sinatra and Cliff Richard.

The new strategy showed up in sharply improved results for the year ending March 1987. Thorn does not disclose EMI Music's profits, but their increase was a major factor in the near tripling of profits in Thorn's music division (which also includes some unrelated businesses) from £8.8m to £25.4m on sales up from £579m to £666.4m. The division was reported last month as doing well in the first half of 1987-88.

Bob Nellist at Thorn sees room for even more improvement. "We expect it to be volatile — but volatile around much higher profit levals," adding that "the corporation is prepared to be patient with the new management."

Nellist atresses that EMI's international spread — it is directly represented in 35 countries and has licence arrangements in a further 32 — is a key resource for the whole group in its drive to increase its overseas business. Thorn is drawing on EMI's cash and tax management expertise in many overseas countries for its other businesses. EMI in New York, for instance, is helping out with these functions for Rent-A-Center, the US consumer electronics rental chain, bought by Thorn in July.

And were Thorn's board ever to turn its mind to selling its exciting, but volatile music arm, it would no doubt take comfort in the thought that Sony's $2bn purchase of CBS's music business, generally regarded as a very full price, shows there are groups around prepared to pay heftily for a world-ranking music company.

Bhaskar Menon with Tina Turner, one of the superstars whose repertoires EMI is now putting on high-margin compact discs

Business travel

A cost that is running away

BY DAVID CHURCHILL

BRITAIN'S business travellers are likely to spend approaching £20bn this year on all forms of travel and entertainment for their companies — more than total UK corporate expenditure on advertising and corporation tax combined. Yet it is a business cost about which few companies seem concerned.

A survey by American Express, the charge card and financial services group, to be published later this month, found that in 46 per cent of the 771 companies surveyed, spending on travel and entertainment last year had risen faster than their turnover.

Moreover, some 43 per cent of the finance directors quizzed — from companies in a wide range of industries and in both the private and public sector — expected such expenditure to continua rising faster than turnover this year.

"Companies which would fight to the last drop of blood to get a good deal on a new photocopier are cheerfully tossing away thousands of pounds because they fail to get to grips with simple fundamental issues like 'who can spend how much and on what'," points out Christopher Rodrigues, managing director of American Express's UK travel management services division.

American Express is particularly interested in the subject because it has a consultancy service aimed at helping companies improve their control of business travel and entertainment expenditure. It believes that many finance directors seemingly feel that such spending is out of their control.

"It is because the true costs of travel and entertainment are so diverse and that information is rarely held in any one place, that companies invariably do not know exactly how much they are spending," says Rodrigues.

The survey indicates this attitude by revealing that 94 per cent of the companies surveyed give cash advances to enable executives to pay for some of their travel and entertainment. The amount of cash — including travellers' cheques — outstanding at any one time among the survey companies was as high as £500,000, the survey reveals.

The survey also found that in spite of cash advances and the use of travellers' cheques and charge cards, some 44 per cent of companies expected employees to fund at least part of their expenses themselves and reclaim them later. One in every ten companies expects executives to fund all expenses for reclaiming later.

The average annual spend per head by business travellers, the survey shows, was £4,600 and the overall average expenditure for those companies surveyed was £1.2m. Of this expenditure, the largest slice — some 62 per cent — went on airfares, followed by 28 per cent on accommodation and the rest on entertainment.

While just under half of all companies had accounts with travel agents for buying airline tickets, for example, the survey found that more than a third of airline tickets are still bought direct by the traveller or company travel manager regardless of whether or not the company has a designated travel agent.

The American Expresa answer is that a properly managed travel and entertainment system can be more flexible and responsive to travellers' needs than one based on inadequate management control.

It believes that cash advances for business travel are inefficient and costly. Its answer, not surprisingly, is for companies to use a charge card system.

Again, with marketing perspicacity, it points out that only two-thirds of middle managers and a third of junior managers have cards and yet "by sheer weight of numbers it is the middle and junior managers who account for the majority of business travellers and incur the most expenses."

The problem, says American Express, is that charge cards are seen as a perk for management rather than a means of managing travel and entertainment - thus, nine out of every ten directors and senior executives have the company's cards.

American Express is well aware that its attempts to improve the control of travel and entertainment costs for clients is not always supported by some of their executives who perceive it as diminishing their power or making airline travel even more unpleasant than it often is.

Companies that apply a blanket policy of economy-only flights in order to control costs, for example, may save a few pounds in the short term but invariably leave the travelling executive disgruntled and exhausted at the end of a journey. Moreover, morale is often made worse by senior directors flouting the rule and flying first class.

But many companies continue to believe that such a system need not apply to them. "Yet these are the very ones which have a fragmented and inconsistent policy which probably costs more in executive time seeking to outwit the system than it saves in any badly-applied cost-control system," says Rodrigues.

Business courses

A chief executive's guide to JIT and MRP 11, London. February 2. Fee: members £110 + VAT and non-members £140 + VAT.Details from The General Secretary, BPICS, 45-47 South Street, Bishop's Stortford, Herts, CM23 3AG. Telephone: 0279 56695.

Routes to global leadership, London. January 28. Fee: members £150 + VAT and non-members £125 + VAT. Details from the Strategic Planning Society, 15 Belgrave Square, London SW1X 8PU. Telephone: 01-235 0246.

Selling and customer relations for service engineers, London and Manchester. February 24 and 25. Fee: members £125 + VAT and non-members £145 + VAT. Details from IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berks, SL6 9QH. Telephone: 06285 24922 ext 2229.

Offshore tax planning through companies, London. February 24. Fee: £190 + VAT. Details from Christine Richards, IBC Legal Studies and Services, Bath House (3rd floor), 56 Holborn Viaduct, London EC1A 2EX. Telephone: 01-236 4080. Telex: 888870.

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ANTHONY HARRIS
in Washington

When Wall St sneezes, America laughs

WASHINGTON, as I write this, is in a state of siege. The dollar crisis has gone away for the moment and Congress is still is recess; but even if politics and economics were yelling for attention, they would find it hard to compete with the usual January obsession. It is snowing.

The great winter storm which has swept down from Canada to Texas and given a new meaning to the Deep South, is relatively mild in Washington; but this is a hilly, car-dependent city and a few inches is all it takes to empty the supermarket shelves and the offices. There is even a statistical alert: the publication of some important figures may be delayed, as the statisticians huddle and throw another log on the fire.

Not even this emergency, though, nor the publication of the massive Brady Report, has prevented the announcement that the Senate Banking Committee is going to mount its own investigation of the October 19 market crash, and so is the House Committee on Commerce. The urgency is not altogether clear. The latest news from the retail trade confirms what everyone outside Wall Street has realised for some time: the crash was something of a non-event. In any case, the crash is already being investigated by the Securities and Exchange Commission, which is probably better qualified to find any bodies which may be buried than the Congressional committees. However, neither snow nor favourable statistics will put them off playing Hunt the Yuppie in an election year.

The sheer glee which most people feel at the discomfiture of the financiers is beginning to look like an important political fact of 1988. The relatively new chairman of the Federal Reserve, Mr Alan Greenspan, learned this some weeks ago when he spoke up in favour of more deregulation of the banking sector, and got almost universally derided for it. The Senators are clearly bent on more regulation, not less.

Since the most important result of the crash has been to blight the first green growth of the global securities market, which was the showiest offspring of deregulation, an effort to turn back this particular tide may not make much practical difference for the time being. In the longer run, however, the flow of computerised finance will surely sweep over any new legislative fences contrived by Congress. The markets of today, when it is becoming difficult to tell the difference between a bank and a retail store or an oil company, are going to need a new style of regulation.

This is hardly an original thought. It is not just an attachment to the old ways which made the Bank of England opt for self-regulation as the basis for the new markets, for it is devoting most of its intellectual effort these days to devising new meanings for self-regulation. The prudential rules of the future will be computerised ones, involving formulae for measuring risks and exposures of the kind listed a year ago in the Cross report from the Bank for International Settlements – those involved in hedges and swaps and other new instruments, daily being invented. These are matters which most central bankers, and many senior commercial bankers, are still struggling to understand.

The Old Lady's efforts deserve the warm approval of Mr Albert Bressand, a young Frenchman of the computer-struck generation. (The French love affair with these unappealing machines has a lot to do, I suspect, with the beautiful word *l'informatique* to describe the subject.) Mr Bressand contributes a short, pithy essay to a volume* of the best entries to a competition sponsored by the Amex Bank Review.

The collection is sufficiently terse and opinionated to give a good kick-start to the brain on a cold morning. It is often provocative rather than persuasive, though. Even Mr Bressand, whose picture of the financial future as a network of networks looks as convincing as any science fiction can be, is too ready to believe that progress means improvement.

The winning essay is contributed by a US Treasury official, Mr Alexis Rieffel (who will be glad of the prize money if Mr Paul Volcker's obsession with US bureaucratic pay is justified). This is more puzzling, because it argues the case for free capital movements for developing countries in terms which suggest a bright student rather than an offical with wide experience of the real world.

For example, he remarks reproachfully that four OECD countries – Spain, Sweden, Austria and Italy – retain capital controls, contrary to the spirit of the club. He does not seem to notice that these countries have all performed better than average in many important respects, which might suggest that capital controls are not as damaging as his essay assumes. He remarks scornfully that many developing countries retain controls for political rather than economic reasons, without considering whether protection of national sovereignty is not a legitimate political aim.

Too many of the essayists assume that what is good for the financial sector is good for everyone. Some of them make a spirited case for this point of view and at least three, dealing with developing country debt, are sharply critical of the banks. The collection is well worth reading (especially, perhaps, for those like myself who are inclined to disagree with much of it); but its drift goes against the post-crash tide of opinion.

Wall Street, it is worth adding, is winning no support with its obstinate gloom about the US economy. Many of the published arguments are based on two propositions which seem incompatible. One is that the persistent US deficit cannot be financed; the other that consumer spending is about to collapse (which would at least cut the deficit).

The pessimists could be wrong on both counts. A stabler dollar could attract new private flows and is likely to do so if the trade balance improves in a reasonably strong economy. The odds on this outcome are shortening. For the longer term, the forecasters might study the last two essays in the Amex collection, which explain how long the structural adjustment is bound to take on both sides of the Pacific.

But few critics outside New York will bother with the intellectual arguments. They simply assume that the Wall St forecasters caught a bad cold some time before the snow fell.

**Finance and the International Economy, ed. Calverley and O'Brien. Oxford University Press, £14.95.*

INTERVIEW

Disputed Wizard of Oz

David Lascelles and Chris Sherwell meet Larry Adler, the Australian entrepreneur

AUSTRALIA'S entrepreneurs are no strangers to controversy, so much so that they have managed to imbue the very word entrepreneur with many shades of meaning, not all of them flattering.

To meet Hungarian-born Mr Larry Adler, the 56-year-old chairman of FAI Insurances, is to discover why that is so.

His name has only lately become as widely recognised internationally as Holmes a Court, Murdoch, or Bond. But FAI, which he founded, is one of Australia's largest and fastest-growing insurance companies. Virtually single-handed, he has built it up over 27 years into an organisation with over A$2bn (£772m) in assets.

On this record - and by the Oxford dictionary definition Mr Adler himself proffers ("one who runs or is in charge of a business") - Mr Adler is most assuredly an entrepreneur.

Yet to many people, both in Australia and abroad, there is another side to him which has less to do with entrepreneurship than with naked speculation in the stock market. His record in this area has earned him, just as assuredly, the reputation of a corporate raider.

One much-cited example was his stalking of Hill Samuel, the London merchant bank, last year. He acquired a 14.9 per cent stake in the expectation that someone would launch a full bid and hand him a quick profit. That is precisely what happened when the Trustee Savings Bank made its offer in September.

The fact that Mr Adler got a pre-stock market crash price for his investment and seemed to have got his timing absolutely right only made his critics more furious - or jealous.

A recent Australian example is the sale in August of his stakes in Pioneer Concrete and in the related company Ampol Petroleum to the Perth businessman Mr Robert Holmes a Court, again virtually at the peak of the market. He banked A$500m and made A$194m profit.

These deals have enhanced his already significant reputation for reading the market, although Mr Adler acknowledges freely that he did not foresee the crash and does not know what exactly caused it. "I simply acted on the basis that the market was overheated." Last week he disclosed a five per cent stake in Pearl Group, the UK insurance company, again provoking comment that he is in there for a quick profit.

Like many of Australia's best-known businessmen, Mr Adler is not a native Australian. Born in Budapest of Hungarian Jewish stock, his family fled the communists after the last war. He arrived in Australia speaking barely a word of English and started off working as a railroad labourer. After improving his English by listening to church sermons, he moved to white collar work in Sydney. In 1960 he founded Fire and All Risks Insurance, which became FAI.

Since then FAI has been a high-flyer in a country whose corporate skies are already quite crowded. In his most recent financial year ending last June, Mr Adler boosted earnings per share by 56 per cent and his shareholders funds by 73 per cent. This prompted McIntosh Hamson Hoare Govett, one of the country's leading stockbrokers, to describe FAI as "one of Australia's most successful general insurance companies, having achieved a record of impressive growth in a depressed and intensely competitive market."

FAI's rise stems in part from Mr Adler's aggressive selling techniques and his successful identification of useful market niches, such as workers' compensation and professional indemnity insurance. But by far the largest part of its growth comes from his lucrative forays into the stock market.

Of the A$150m profits FAI earned last year, no less than A$145m came from investment activities and only A$5m from actually underwriting insurance policies. "FAI is number one in terms of premium income," he says. "But we are also successful investors. It is my task to invest."

In fact the crash wiped A$134m off FAI's investment portfolio, but Mr Adler says he is already confident that the group's profit figure for the year to June 1988 will be a record - and his company is sitting on A$800m in cash.

"Not one single entrepreneur with a proper core business is in difficulty," he comments pointedly.

Like most high profile market players, Mr Adler has a homespun philosophy of business and life which he is happy to expound to others. It is one he freely embellishes with much humour and little false modesty.

Seated at his spacious desk and brandishing an alarming dagger-like paper knife, he describes himself as "very successful". "We're perfectly satisfied with what we've done over the past 25 years," he says. "We won't be doing anything different in future."

The "we", he admits, is royal. A large portrait of him (commissioned by his staff) greets those who step out of the lift by his office overlooking Sydney Harbour. Paintings and sculptures are displayed around his office. But apart from his family house in Sydney he does not own holiday homes or yachts, and he dislikes travel.

He thanks hard work, ambition and optimism for his achievements. "For me," he says, "working hard comes easily. Playing golf, on the other hand, is a real chore - while playing cricket is both a physical impossibility and a contradiction in terms."

He dislikes pessimism. What happens in the wake of the stock market crash, he says, depends on how many people catch that contagious disease. "I am not a pessimist," he declares forthrightly. "But if I was," he adds with a crafty look, "I would not tell you."

Mr Adler says he decides on most of his investments himself. If he is instinctively against a proposal, he won't go through with it. If he likes it, he puts it to his numbers men - one of them his son Rodney. If they are against it, he won't proceed. His investment philosophy, he says, is "responsive" (meaning reactive). No particular sector is watched more closely than another. Everything is considered on its merits. "Nothing is included. Nothing is excluded."

His only caveat: "One of the worst things you can do is fall in love with your investments."

As for the suggestion that FAI seems to be more interested in betting on takeovers than on running an insurance book: "If the accusation is that I buy shares to make money, then I plead guilty," he says. "Hill Samuel's shareholders should be lighting candles to me for the service I did to them."

He also gives short shrift to the notion that institutional investors should be looking to the long term rather than seeking quick bucks. "The long term versus short term argument is one used by losers," is his blunt riposte, although Mr Adler points out that FAI has owned shares in some companies for 15 years. "Very short term," he mutters.

For all these comments, the impression he gives of an arrogant speculator is countered by those people who deal with him at closer quarters. They comment on his keen intelligence, and the sureness with which he identifies his investment targets.

He is quick to spot the weaknesses or ironies in the arguments of others. His shrewd business instincts, to say nothing of the increasingly large sums of money he commands, cause him to be taken with growing seriousness by the international banking community, who shower him with business proposals. This attention is gratifying after the disdain with which he was treated by Hill Samuel, which refused to speak to him, and indulged in a little character smirching by circulating details of controversial court cases in which FIA had been involved.

The pre-crash stock market boom obviously provided perfect trading conditions for Mr Adler and FAI. But he confesses to feelings of unease about those sorts of conditions. "Boom times create abnormalities when billions of dollars fly through the air with the greatest of ease," he says.

Mr Adler has been a borrower abroad - he has A$490m in low-interest Swiss franc loans which look far less attractive after the Australian dollar's decline. But unlike other entrepreneurs has not been a heavy issuer of his own paper. "FAI has not issued paper for donkey's years," he says bluntly.

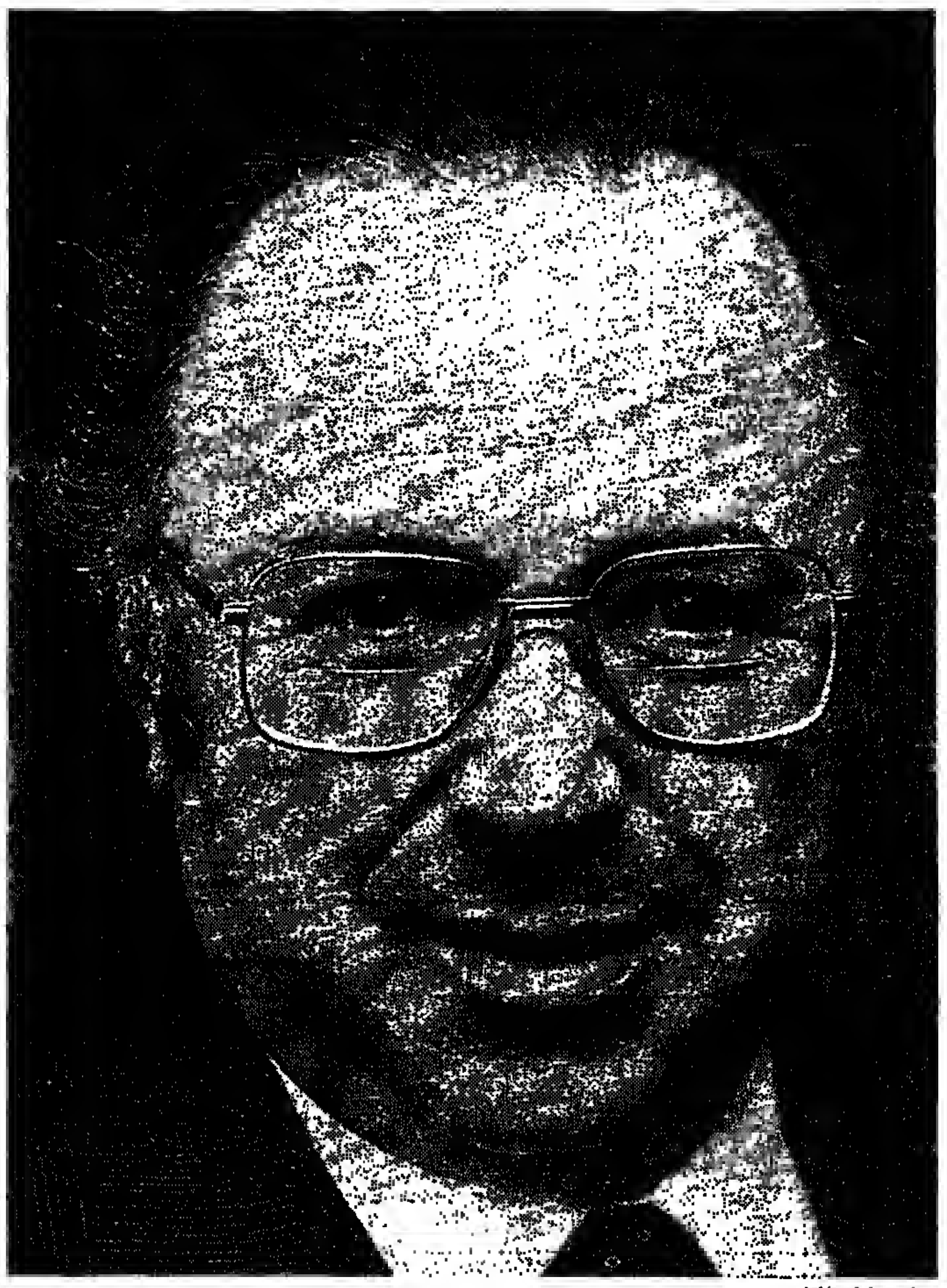
FAI's progress, in his view, is also proof that Australia has benefited from its inflow of immigrants. The country had become insular when it became a federation at the turn of the century, "when the sons of the pioneers decided to *live like the rich*." Then came the new blood, immigrants like himself. "There's nothing like it to help a stale old economy."

That, he adds, is why Australia will not face the decline Britain suffered after it became a pre-eminent industrial power - although Britain, in his view, is now seeing a revival of entrepreneurs.

FAI's rise has also been helped by the press, as he acknowledges - alone among the entrepreneurs he has continued to give interviews since the collapse. "Generally, I have found that the press treats me well," he says. "Insurance is boring. But the press loves the excitement of high-profile investment."

●PERSONAL FILE

1931: born, Hungary
1950: arrives Melbourne
1956: marries Ethel Kaminer (one son, two daughters)
1960: establishes the Fire and All-Risks Insurance Company Ltd (now called FAI General Insurance Company)
1968: acquires 86 per cent of the publicly listed Australian and International Insurances Ltd (now called FAI Insurances Ltd)
1971: reverse takeover of FAI General Assurance
1987: premium income above A$440m, earnings top A$100m



Ashley Ashwood

JUSTINIAN

Administrators v the courts

A DISTINCTIVELY legal academic journal has formed a singular service by uncovering a 17-page pamphlet entitled The Judge Over Your Shoulder – Judicial Review of Administrative Decision, prepared by the Treasury Solicitors' Department in conjunction with the Cabinet Office.* The pamphlet is addressed to all civil servants responsible for taking decisions on behalf of ministers, alerting them to the dangerous areas of administrative action that have become susceptible to challenge in the courts. Since the pamphlet is not on sale at Her Majesty's Stationery Office, the conclusion is that it is not meant for public consumption.

The tone of the pamphlet is defensive of public administrators and not a little critical of contemporary judicial intervention. It does not start from the premise that all sound administration rests on a sound legal basis. If it did, the more apposite title would have been: A Judge at Your Elbow. Instead, the pamphlet bemoans the activism of the courts in going beyond what the administrator can read in the precise language of Parliament. The pamphlet states that what makes administrative law difficult is that the courts have amplified the provisions of statute law in such a way that the administrator cannot rely on the words of the legislature alone, "but will need to know what additional requirements the courts impose." The pamphlet seeks to expound the recent expansiveness of the judges. There are references to the courts' requirements about the giving of reasons by administrators, of acting fairly in the decision-making process, and the need for acting reasonably in making the decision itself.

A section on the giving of reasons is indicative of the authors' approach. The pamphlet does not state that the quality of decision-making may be enhanced by the practice of formulating specific reasons appropriate to each administrative decision. Instead, it provides tips for civil servants, such as "it is generally better to give two good reasons than to give three good reasons and one bad reason." The authors find it necessary to remind their colleagues that, "quite apart from any legal obligation, ordinary courtesy may require the giving of reasons."

On the duty to act fairly, the pamphlet is distinctly cautious. It states: "The circumstances in which the courts will impose the duty to act fairly towards persons likely to be affected by a decision are now almost limitless."

One would have expected the pamphlet to say that fairness – a notion to be preferred over natural justice – should permeate every administrative action, whether the courts would deem it a legal obligation or not in any specific instance.

The editor of the academic journal, Prof A.W. Bradley, Professor of Constitutional Law in the University of Edinburgh, adds his own mordant comment that the pamphlet might have stated that the requirements of sound administration do not pull in contrary directions, but comprehend the need to avoid illegal action, action that would lead to ombudsman-type injustice, waste of public resources, and so on: "As it is, the present leaflet does not avoid giving the impression in its approach to judicial review that the requirements of legality are something external to, and different from, what good administrators left to themselves would wish to be doing. The danger in this approach is that the administrative task then becomes one of avoiding the tolls into which the judges have, for inexplicable reasons, sought to entangle the administrators."

The journal quotes from Richard Crossman's diaries. An entry for December 3 1966 records: "Last night I went to Oxford to a great conference at All Soul's. Richard Wilberforce (Lord Wilberforce, a Law Lord from 1964-82), and Mr Justice Salmon, (also a Law Lord from 1972-80), had about 40 lawyers there with some civil servants, including Lady Sharp, to discuss administrative law. Some professor suggested introducing the French system of administrative law and fortunately everybody said it was nonsense." Perhaps this professor, revealed now as Prof Bradley's late colleague at Edinburgh, Prof John Mitchell, was not after all talking nonsense.

For the greater part of the intervening 20 years, English administrative law has grown apace, to the point where public administrators are, almost desperately, learning how best to protect their decisions from challenges in the courts. Whether English administrative law still falls short of what the French demand of their public administrators will continue to be the subject of debate. That debate should be advanced when the long-awaited report comes from that academic institution visited by Richard Crossman in 1966.

**Public Law, Winter 1987, Stevens, £13.50.*

CONSTRUCTION CONTRACTS

Dover ferry berths to be improved

The Port of Dover's three-year £55m investment programme goes into a new phase early in the New Year when a start is made on the construction of an elevated roadway to further separate inwards and outwards traffic at the Eastern Docks.

FAIRCLOUGH CIVIL ENGINEERING has won a £5.6m contract to build a four-lane roadway to carry traffic arriving from the Continent from the berths above vehicle embarkation assembly areas to the immigration and customs controls at ground floor level.

Starts today

Fairclough begins work on the project today and completion is scheduled for May 1989. The 650 metre long roadway will be constructed using steel beams laid on precast reinforced concrete columns. About 1,200 tonnes of British Steel girders and 7,000 cu metres of concrete will be required.

The roadway, 15 metres wide, will be accessed by three ramps from the berths. One ramp will link No 6 berth with the elevated section, another for berths Nos 4 and 5, and the third for berths Nos 3 and 2, the latter of which is scheduled to open next winter.

Traffic flows onto the elevated section will be controlled by a signal and traffic light system. A heating system will be built into the road surface to ensure traffic is not affected by ice and snow in the winter.

The contract also involves the demolition of berths 1 and 2 portals following the taking out of service in November of Britain's first commercial ferry linkspans which were opened in 1953.

The north wing of the reception building is also to be demolished to make way for the "J" shaped roadway. This office area is to be replaced by a new building to be constructed in the docks.

Tunbridge Wells retail scheme

MOWLEM MANAGEMENT has been awarded the management contract for the £40m Royal Victoria Place shopping centre in Tunbridge Wells, Kent, by MEPC Developments. The scheme will provide over 200,000 sq metres of retail space plus 1200 car parking spaces. It will comprise a two-level shopping mall with basement service access, a four-level palm house with food court, a new market square plus all associated management and service facilities.

As well as a new department store, the scheme includes extensions to the existing Marks and Spencer, British Home Stores, Boots and Woolworth stores to link them to the new mall and service areas. Other facilities will include a leisure community hall, a new church, housing and a market.

Construction work will include extensive underpinning to the adjoining shops to which service areas will also have to be maintained throughout the building programme. Work on site is not expected to start until early 1989. Mowlem's early appointment is to enable them to fulfill a construction consultant's role prior to commencement to assist the client and design team to meet scheme objectives.

The shopping areas will be environmentally controlled and finished to a very high standard including escalators and two glass "wall-climber" lifts. Extensive planting will be provided together with mall furniture and all new stores will have goods access via the basement service area which includes four vertical services cores with a total of eight goods lifts leading to access corridors at the rear of the shop units. Improved traffic facilities will be achieved by realignment and improvements to Victoria Road.

A leisure building suitable for alternative uses will be formed alongside the new market square. The residential element will be created on two adjacent sites alongside.

£4.5m orders for Willmott Dixon

Contracts totalling more than £4.5m have been won by companies belonging to WILLMOTT DIXON. Two of the contracts have been awarded to Willmott Dixon Housing, based in Shefford, near Hitchin. One, worth £940,000, is for the construction of 27 homes for St Albans City and District Council. The second is for the Royal Borough of Windsor and Maidenhead and involves constructing 26 homes in Maidenhead in a contract worth £950,000.

Willmott Dixon Construction, also of Shefford, has been awarded a contract worth in the region of £2.3m to build two retail units for Homebase and Habitat stores at Oldings Corner, Hatfield. The contract is for Ravenside Investments.

Bush Gould of Norwich is constructing an industrial unit at Whiffler Road, Norwich for European Land Securities in a contract worth £475,000.

Column-free concrete car park for Bristol

DOW-MAC CONCRETE, a member of the Norcros Group, has won three contracts for car parks and other projects worth nearly £6m. The largest scheme, worth £1.92m, is for a 1,156 space multi-storey car park at Broadmeads, a development by Ladbrokes in the centre of Bristol. It will feature Dow-Mac's Spanpark product: column-free parking areas which allow greater visibility for drivers and reduce the risk of surprise muggings for pedestrians.

At Tobacco Dock, London Docklands, Dow-Mac will manufacture and supply a £1.2m multi-storey car park. The development, by Harry Neal, includes shops and a car park, part of which will be constructed within the basement of original 1830 brick arch vaults.

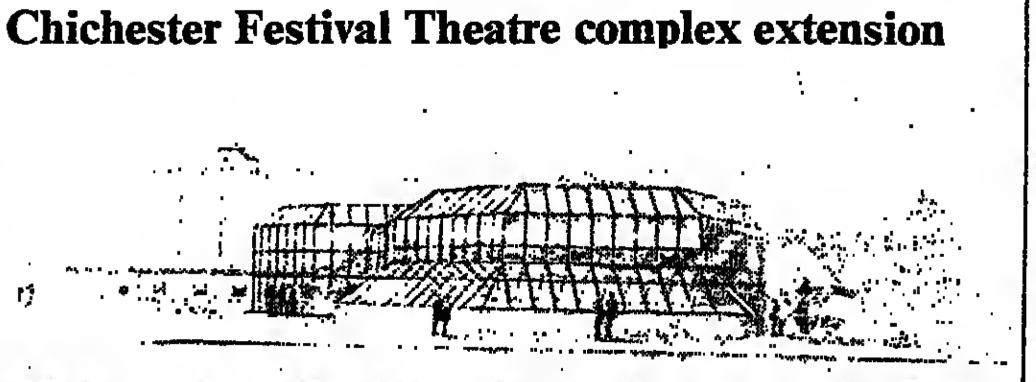
In Chipping Barnet, Lovell Developments is constructing a shopping complex, The Spires, while Dow-Mac has been awarded a £955,000 contract for a three-level multi-storey car park based on the Spanpark system and accommodating 400 cars.

The company has an order for £300,000 bridge beams on the A15 Glinton by-pass near Peterborough. For Cheltenham Racecourse grandstand the company is to supply £292,000 worth of products for an extension.

Dow-Mac Concrete has gained a £370,000 order for work on the Limpopo line. It involves supplying 780 sleeper moulds and a 12-month agreement to oversee production of sleepers in Mozambique.

Three other schemes make up the total: building frame and flooring in the London Borough of Brent (£250,000); box culverts for the River Tame (£151,000) and pre-stressed beams for Stockport (£140,000).

Chichester Festival Theatre complex extension



SIR ROBERT McALPINE & SONS has been awarded a £1.5m design and contract contract to build a studio theatre as an additional facility at the Chichester Festival Theatre complex. The project, due for completion in October, comprises a 240 seat studio/rehearsal theatre which can also be used as a cinema or conference centre, a 210 seat restaurant, a Theatre Society Club and offices. The hexagonal-shaped building will be of brick construction, with the foyer, restaurant and club room finished in faceted glass giving views of the surrounding parkland.

Curbs for the River Avon

MILLER CONSTRUCTION has been awarded two contracts in Rugby which form one part of a three-phase scheme which will free the town centre from the risk of further flooding and release unusable land, along a four kilometre stretch of river for development.

The complex contracts – worth £800,000 – include strengthening the foundations of a number of bridges which cross the River Avon as their foundations will be seriously at risk once work to lower the river bed by up to two metres is completed.

To protect foundations a sheet-piled coffer dam will be constructed around each of the abutments with a total driven length of six metres. As the headroom under each bridge is less than three metres it has been decided to adopt a system of welding extension piling.

During the project Miller Construction will both deepen and widen the existing river channel. This involves more than 80,000 cu metres of excavation and the material will mostly be reused to form new flood banks.

Extensive stabilisation of the channel banks is also necessary due to the presence of a band of coarse gravel. This will be undertaken using a combination of gabion and concrete armouring.

Office projects in Toronto

Two contracts, together worth C$14.8m (£6.1m), for the construction of an office building and a retail and commercial centre have been awarded to TAYLOR WOODROW CONSTRUCTION CANADA. The larger order, valued at $11.3m (£4.6m), has been placed by Monarch Construction, also part of the Taylor Woodrow Group. It is for an eight-storey office building in the final phase of the Heron's Hill complex in Toronto. The building will have a gross floor area of 175,000 sq ft with a basement car parking level. The structure will have a reinforced concrete frame with a combination of facing brick and gold tinted curtain walling external cladding.

The other contract, worth $3.5m (£1.4m), is for a 50,000 sq ft retail and commercial centre for Shiu Kwan Lo & Sons Lim in Scarborough, near Toronto. Work is due for completion in May 1988. The development, known as the Silverland Centre, will have two buildings, each two-storey, as well as 146 car parking spaces.

DIARY DATES

FINANCIAL

TODAY

BOARD MEETINGS-
Finals;
Appletree
Body Shop Intl.
Cauldon Group
Fleming Claverhouse Inv. Tst.
London Scottish Finance
Lowe (Robert H.)
Sturge Hldgs.
Tomkins (F.H.)
Interims;
Alisa Inv. Tst.
Carclo Engineering
Ellis & Everard
Northumbrian Fine Foods
Thorpac
Wyko Group
Zetters Group
DIVIDEND & INTEREST PAYMENTS-
Cape Inds. 1.5p
Capital Radio 4p
Coloroll Group 2.84p
Courtaulds 2.75p
Dwek Group 1.75p
Elders IXL 10cts.
Hambros 3p
Do. N/Vtg. 2.1p
Hongkong & Shanghai Banking Prim. Cap. Und. FRN 3rd. Ser. $113.42
Imperial Cold Storage & Supply 21cts.
Investors in Industry 11% Un. Ln. 1988 5½pc.
Do. 11¾% Un. Ln. 1990 5⅞pc.
Leumi Intl. Invs. Gtd. FRN B 1987 Ext to 1990 $23.01
Mansfield Brewery 2.25p
Marine Midland Fin. Gtd. Flg. Rate Sub. Nts. 1994 $22.85
Metal Box 1.5p
Meyer Intl. 2.4p
Mezzanine Capital & Income Tst. 2001 5p
Nat West Bank Primary Capital FRN $381.04
Petaling Tin Berhad 30sen.
Premark Intl. 8cts.
Scottish Metropolitan Property 2.7p
Sims Catering Butchers 1.9p
Warner Howard Group 0.93p

TOMORROW

COMPANY MEETINGS-
Bibby (J.), Institute of Directors, 116 Pall Mall, S.W., 12.00
Burton Group, Grosvenor House Hotel, Park Lane, W. 12.00
BOARD MEETINGS-
Finals;
Berkeley Govett
Countryside Properties
London & Clydeside Hldgs.
Oakwood Group
Television South
Interims;
Cray Electronics
First Security Group
Fleming Overseas Inv. Tst.
Gnome Photographic
Markheath Securities
Reliance Security Group
Trent Hldgs.
Westpool Inv. Tst.
DIVIDEND & INTEREST PAYMENTS-
Atlas Converting Equipment 2.5p
Barlow Rand 70cts.
Do. Prf. 52.5cts.
Bridgend Group 0.2p
Caisse Centrale De Cooperation Econ. 12¼% Gtd. Ln. 2013 6⅛pc.
Conversion 9½% Ln. 2001 4¾pc.
Conversion 9% Ln. 2011 4½pc.
Crowther (John) 1.25p
Early's of Witney 6% Cum. Prf. 2.1p
Erskine House 1.6p
Kennedy Smale 2.25p
Lynton Property & Reversionary 1.85p
M.M.T. Computing 4p
Majedie Invs. 4.5p
RBC Intl. Income Fund Ptg. Red. Prf. 41cts.
Readicut Intl. 0.38p
SAC Intl. 2.6p
Spandex 1p
Tiger Oats 213cts.
Treasury 10% Cnv. 1991 5pc.

WEDNESDAY JANUARY 13

COMPANY MEETINGS-
Church (Charles), Claridge's, Brook Street, W., 12.00
Cooper (Fr.), Goldthorn Hotel, Penn Road, Wolverhampton, 12.00
BOARD MEETINGS-
Finals;
Chestnut Electronic
Greenwich Resources
M. & G. Dual Trust
NatWest Bank
Interims;
Southern Business Group
Banks (Sidney C.)
Benpak
Dixons Group
Multitone Electronics
DIVIDEND & INTEREST PAYMENTS-
Bibby (J.) 5.75p
Birmingham Mint 2.76p
Leeds Permanent Bldg. Society Flg. Rate Nts. 1994 £129.81
Toothill (R.W.) 3.6p

THURSDAY JANUARY 14

COMPANY MEETINGS-
BOC Group, The Dorchester, Park Lane, W., 2.30
Bridport-Gundry, The Court, Bridport, Dorset, 12.00
Morland, The Brewery, Ock Street, Abingdon, 12.30
Royal Bank of Scotland, Caledonian Hotel, Edinburgh, 12.00
Trafalgar House, Chartered Accountants' Hall, Moorgate Place, E.C., 11.30
BOARD MEETINGS-
Finals;
Neotronics Technology
RCO Hldgs.
Interims;
Barbour Index
CAP Group
Courts (Furnishers)
Howden Group
Jones Stroud
Parkfield Group
Ross Consumer Electronics
Stead & Simpson
Symonds Engineering
West Inds.
DIVIDEND & INTEREST PAYMENTS-
Bank of Nova Scotia Flg. Rate Debs. July 1994 $376.94
Banque Nationale De Paris Flg. Rate Nts. 1990/94 $3801.39
Bremner 0.25p
Creditanstalt Bankverein Sub. Flg. Rate Nts. 1994 $186.88
Fuller, Smith & Turner A 2.2p
Funding 3½% 1999/2004 1¾pc.
Great Portland Estates 2.75p
Illingworth, Morris 1.5p
Kwik Save Group 4.7p
Moran Tea Hldgs. 20p
National Bank of Canada Flg. Rate Dep. Nts. July 1991 $190.07
Treasury 12½% Ln. 1993 6¼pc.
Treasury 13% 2000 6½pc.

FRIDAY JANUARY 15

COMPANY MEETINGS-
Bellway, The Royal Station Hotel, Neville Street, Newcastle upon Tyne, 12.00
Carr's Milling, Crest Hotel, Kingstown, Carlisle, 11.30
BOARD MEETINGS-
Finals;
Jersey Electricity
TSB
Interims;
Goode Durrant
Wigfalls
DIVIDEND & INTEREST PAYMENTS-
Abbey National Bldg. Society Flg. Rate Nts. 2000 £259.22
Agricultural Mortgage Corp. 6¾% Deb. 1992/94 3⅜pc.
Do. 5½% Deb. 1993/95 2¾pc.
AmBrit Intl. 9% Cnv. Un. Ln. 1996 4½pc.
American Medical Intl. 9¾% Un. Ln. 2011 9¾pc.
Assoc. Electrical Inds. 6¾% Deb. 1986/91 3⅜pc.
Bank of New York Overseas Finance Gtd. Flg. Rate Sub. Nts. Jan.1996 $228.40
Barclays Bank 12% Un. Cap. Ln. 2010 6pc.
Barings B.V. Gtd. Flg. Rate Cap. Nts. 2001 $370.56
Bell Canada Enterprises 61cts.
Borland Intl. (UK Reg.) 0.75cts.
Do. (US Reg.) 0.75cts.
Bridport-Gundry 5.1p
British Airways 2.25p
British Steel Corp. 8¾% Gtd. Bds. 1989 4⅜pc.
Castings 1.4p
Chrysler Corp. 25cts.
Churchbury Estates 4.2% Cum. Prf. 2.1p
Citicorp Overseas Finance Gtd. Flg. Rate Nts. 1992 $223.61
Cosalt 10% Un. Ln. 1993/98 5pc.
Cropper (James) 0.675p
First Union General Inv. Tst. 16cts.
Foster (John) 1.5p
French Connection 1.75p
Futura Hldgs. 2.5p
Gartmore American Securities 0.8p
Govett Strategic Inv. Tst. 10¼% Deb. 2016 5⅛pc.
Graham Motor Group 1.25p
Hallwood Group 28cts.
Helical Bar 5.25% Cnv. Cum. Red. Prf. 2012 1.079p
Hills Ergonom 0.7p
Howard & Wyndham 18% Un. Ln. 1976/81 9pc.
Investors in Industry Flg. Rate Nts. 1994 £131.18
J.S. Pathology Trust 1.8p
Jarvis Porter 1.4p
Leigh Interests 1.83p
London & Scottish Marine Oil 9⅝% Cum. Red. Prf. 4.8125p
Lucas Inds. 10¾% Un. Ln. 1992/97 5⅜pc.
M. & G. Dividend Fund 9.4p
Marks & Spencer 1.55p
Millward Brown 1.25p
Morgan (J.P.) 37½cts.
Motorola 16cts.
Murray Intl. Trust 3.9% Cum. Prf. 1.95p
Do. 6% Deb. 1983/88 3pc.
National Home Loans Corp. 3.28p
Nationwide Bldg. Society Flg. Rate Nts. 1988 £130.08
New Throgmorton Trust 1.5p
Next 5¾% Cnv. Bds. 2003 1.4605pc.
North Surrey Water 4% Deb. 2pc.
Do. 4¼% Deb. 2⅛pc.
Do. 5% Deb. 2½pc.
Do. 5¼% Deb. 2⅝pc.
Do. 7¼% Red. Deb. 1991/93 3⅝pc.
Occidental Petroleum 62.5cts.
Pacific Gas & Electric 48cts.
Quaker Oats 25cts.
Quebec Central Railway 2.5pc.
Robinson (Thomas) Group 7% Cum. Cnv. Red. Prf. 3.5p
Rowlinson Securities 0.22p
Royal Trust Securities Fund Ptg. Red. Prf. 2.5p
Sainsbury (J.) 1.25p
Scantronic Hldgs. 0.43p
Schlumberger 30cts.
Sweden (Kingdom of) 11% Ln. 2012 (Reg) 5½pc.
TR Industrial & General Trust 4¼% Deb. 2⅛pc.
Treasury 13% 1996 6½pc.
Treasury 9½% Ln. 1999 4¾pc.
Upton (E.) 10% Cnv. Un. Ln. 1990 5pc.
VSEL Consortium 3p
Witan Inv. 3.4% Cum. Prf. 1.7p
Yale & Valor 1.8p
Yelverton Invs. 8% Cnv. Un. Ln. 1997 2.7pc.
Zentralsparkasse und Kommerzialbank Wien Flg. Rate Sub. Nts. 1991 $186.88

SATURDAY JANUARY 16

DIVIDEND & INTEREST PAYMENTS-
Anglo & Overseas Trust 4½% Cum. Prf. 1.575p
European Inv. Bank 9% Ln. 2001 4½pc.
Parkland Textile 1.8p
Do. A N/Vtg. 1.8p
Treasury 8¾% Ln. 2007 4⅜pc.

SUNDAY JANUARY 17

Treasury 2½% I.L. 2024 £1.3041

PARLIAMENT

TODAY

Commons: Second reading of Housing (Scotland) Bill.
Lords: Merchant Shipping Bill, third reading. Local Government Bill, second reading. Question to government on the maintenance of the therapeutic regime at Grendon prison.

TOMORROW

Commons: Progress on remaining stages of Social Security Bill. Motion on Industrial Training Levy (Construction Board) Order.
Lords: Copyright, Designs and Patents Bill, committee. Farmland and Rural Development Bill, third reading.

WEDNESDAY

Commons: Completion of remaining stages of Social Security Bill. Second reading of Income and Corporation Taxes Bill. Motion on the Scottish Affairs Select Committee.
Lords: Debate on devolution for Scotland. Debate on environmental pollution. Question to government on the establishment of a proposed press standards council similar to the Broadcasting Standards Council.
Select committees: Employment: subject, Manpower Services Commission. Witness: Sir James Nunn, MSC chairman. (Room 17, 4.15 pm).
Treasury and Civil Service: subject, European Community finance, and the proposed approximation of indirect taxation. Witnesses: Mr Peter Brooke, Paymaster General, and Peter Lilley, Economic Secretary. (Room 8, 4.30pm).

THURSDAY

Commons: Debate on a motion approving the Chancellor's Autumn Statement.
Lords: Legal Aid Bill, committee. Arms Control and Disarmament (Immunities and Privileges) Bill, second reading.

FRIDAY

Commons: Private members' bills.
Lords: Debate on the White Paper on Human Fertilisation and Embryology.

Trade Fairs and Exhibitions: UK

Current
London International Boat Show (0932-854511)(until January 17)
Earls Court

Current
International Toy Fair (01-226 6653)(until January 14)
Harrogate

Current
International Lightshow Exhibition (05884 658)(until January 14)
Olympia

January 17
Antiques and Collectors Fair (01-883 7061)
Alexandra Palace

January 19-22
Which? Computer Show (01-891 5051)
NEC, Birmingham

January 22-24
Holiday Exhibition (0895 58431)
Alexandra Palace

January 26-28
Hirex Exhibition (01-660 8008)
Wembley Conference Centre

January 30-February 3
British International Toy and Hobby Fair (01-701 7127)
Earls Court

February 2-3
Electronics Industry Show (0273 675131) - ELECTRO WEST
Bristol Exhibition Centre

February 2-4
London International Safety and Health Exhibition (01 446 8211)
Novotel

February 7-11
International Spring Fair - Hardware and Housewares Show (0604 22023)
NEC, Birmingham

Overseas Exhibitions

Current
Middle East Electricity Exhibition (01-935 8537)(until January 13)
Dubai

January 13-16
International Home and Household Textiles (01-734 0543)
Frankfurt

January 13-19
Hong Kong Toy Show (01-930 7955)
Hong Kong

January 14-18
International Supplies and Materials for the Furniture Industry - APPROFAL - and Take-away Goods for the Home Exhibitions - INTERKIT (01-225 5566)
Paris

January 22-28
Bahrain Fair (01-486 1951
Bahrain

January 22-24
International Clothing and Footwear Exhibition - CYPROMODE (01-734 4791)
Nicosia

January 29- February 7
International Green Week (01-930 7251)
Berlin

Business and Management Conferences

January 13
International Business Communications: Implementing a strategy to prevent computer fraud in retail electronic banking (01-236 4080)
Cafe Royal, London W1

January 13
Manchester Business School: "Business and economics in a smaller world" with Professor J. Kenneth Galbraith.
Manchester

January 15
HS Conference Studies: Winning planning appeals (01-437 9090)
Cafe Royal, London W1

January 19
Management Forum: Expert systems in business and the professions (0483 570099)
Cafe Royal, London W1

January 19-20
Crown Eagle Communications: Successfully acquiring unquoted companies (01-242 4111)
London

January 19-20
Institute for International Research: Creating, implementing and projecting an effective corporate identity (01-434 0201)
Park Lane Hotel, London W1

January 20
Legal Studies and Services: Share schemes for executives and employees - the new law practice and strategy (01-236 4080)
Royal Lancaster Hotel, London W2

January 21
Institute of Personnel Management: Preparing to win at an industrial tribunal (01-946 9100)
Rembrandt Hotel, London

January 25-26
Financial Times Conferences: Civil aviation in the Pacific basin: the pattern of the future (01-925 2323)
Shangri-La Hotel, Singapore

January 26
EMAP Conferences: Corporate pensions - countdown to change - the definitive guide to the new legislation and regulations (01-404 4844)
Cavendish Conference Centre, London W1

January 27
The Association of Corporate Treasurers: Commercial paper - the opportunities (01-631 1991)
Cafe Royal, London W1

February 2
Institute of Directors: Bosses in the dark on computer risks (01-839 1233)
116 Pall Mall, London SW1

February 4
Spectra Retail Concepts: Looking forward at PC based instore systems (0734 794161)
Cafe Royal, London W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published.

Legal Notices

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
No 006323 of 1987
IN THE MATTER OF LEYLAND DAF LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division, dated the 7th day of December 1987 confirming the reduction of the capital of the above-named Company from £990,000,000 to £126,577,073 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on the 31st day of December 1987.
Dated the 7th day of January 1988
Clifford Chance
Blackfriars House
19 New Bridge Street
London EC4V 6BY
Ref: RWC
Solicitors for the Company

Company Notices

CHEMICAL NEW YORK CORP
USD250000000 Floating Subordinated Capital Noted Due October 1997

In accordance with provisions of the notes, notice is hereby given that for the interest period from January 1988 to 11 April 1988 the notes carry an interest rte on 7⅝ pcnt per annum. The interest payable on the revelent interest payment date 11 April 1988 against coupon No 10 will be USD 940.02 per USD50,000 note.

Agent Bank
Chemcial Bank

NIKKO SECURITIES CO. LTD
issued by
Morgan Guaranty Trust Company Of New York

A distribution of $ 0,0958 per depository share less any applicable taxes will be payable on and after January 11, 1988 upon presentation of coupon No 13 at the following offices:
-MORGAN GUARANTY TRUST COMPANY OF NEW YORK
-35, avenue des Arts, 1040 Brussels
-BANQUE INTERNATIONALE A LUXEMBOURG
-Boulevard Royal 2, Luxembourg
Net rate:
$ 0,0814 (after deduction of 15% Japanese withholding tax + Affidavit)
$ 0,0766 (after deduction of 20% Japanese withholding tax)
9207p/38

HILL SAMUEL FINANCE B.V.
To the holders of the
U.S.$30,000,000
Floating Rate Notes due 1990

Copies of the report and accounts of Hill Samuel Finance B.V. and of Hill Samuel Group Plc for the year ended 31st March 1987 are available from the Secretary, Hill Samuel Group Plc 100 Wood Street, London EC2P 2AJ.

NOTICE OF RATE OF INTEREST
BANQUE EXTERIEURE D'ALGERIE

U.S.$55,000,000 FLOATING RATE SERIAL NOTES DUE 1989
In accordance with the provisions of the Reference Agency Agreement between Banque Exterieure d'Algerie and Citibank, N.A., dated as of June 8, 1979 notice is hereby given that the Rate of Interest has been fixed at 8.3125% p.a. and that the Coupon Amount payable on July 11, 1988, against Coupon No 18 will be U.S.$168.10 and that such amount has been computed on the actual number of days elapsed (182) divided by 360.
As a result of the principal repayment of $500 per Note due July 11, 1988, pursuant to condition 1 of the Notes, the value of each Note will accordingly be reduced to $4,000.
CITIBANK, N.A. London CSSI Dept
January 11, 1988 Agent Bank

LEUMI INTERNATIONAL INVESTMENTS N.V.
US $20 MILLION GUARANTEED FLOATING RATE NOTES 1990 SERIES "B".
The interest rate applicable to the above Notes in respect of the three month period commencing 11th January 1988 has been fixed at 7⅝% per annum.
The interest amounting to US $19.27 per US $1,000 principal amount of the notes will be paid on Monday, 11th April 1988 against presentation of Coupon No. 30.
BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent
bank leumi בנק לאומי

Contracts & Tenders

Wandsworth Borough Council

Lift refurbishment (Phase 3)
-Alton East Estate,
London, S.W.15.

Contractors wishing to be considered for selection to tender for the refurbishment of lifts (Phase 3) at Alton East Estate, should submit names to the Chief Executive and Director of Administration, Room 111, Town Hall, Wandsworth High Street, London, SW18 2PU by 22nd January 1988, quoting reference DH/5.

The work will involve the removal of redundant lifts which serve Blendworth, Eashing and Hindhead Points on the above estate, a total of six lifts, and the installation of six new lifts together with all associated building and electrical work.

All applicants must provide the following information.

(a) details of labour force and technical and supervisory staff available;

(b) names and addresses of three technical referees and the name of the Company's Banker;
(c) details of similar work undertaken during the past three years;

(d) copies of the last two years audited accounts; and

(e) the company's policy statement in accordance with Section 2(3) of the Health and Safety at Work etc., Act, 1974.

(N.B. Applicants should refer only to the above-mentioned scheme and must not incorporate replies to other advertisements placed by Wandsworth Borough Council. Late applications will not be considered).

It is anticipated that tenders will be invited from selected contractors in March 1988 with an anticipated start on site in June 1988 with completion being achieved within 45 weeks of commencement.

The engineering services for the scheme will be provided by the Director of Housing, Mr. R.J. Sheppard, Town Hall, Wandsworth High Street, London, SW18 2PU.

G.K.JONES
Chief Executive and Director od Administration

Architecture/Colin Amery

Display shows 'God in the details'

It was the great architect Mies van der Rohe who said that "God is in the details." He was right. On show in London's Building Centre (Monday to Friday and Saturday mornings until January 27) is an exhibition that proves the point. The Brooking Collection is showing a fraction of its enormous holdings of elements of buildings.

It is a wonderful and rather moving exhibition. As everything on display comes from demolished buildings, it is an exhibition that reveals the tragic depths of waste and destruction.

The individual behind the rescue operation is Charles Brooking, who since the age of three has been the saviour and collector of fragments of past buildings. It might be thought that he was just one of those magpie collectors who simply collects for the sake of it. However, his collection is a well-ordered slice of building history.

Although he has limited himself to doors, windows, staircases, fireplaces and rainwater heads, there is a side display of some 40 wall-mounted postboxes. There is something romantic about these tiny bearers of human messages and only Brooking's vigilance has stopped them all going the way of the telephone boxes. Wherever one of these sturdy boxes has been removed from a fine village wall, it is inevitably replaced by a miserable steel box stuck on a concrete post.

It would be a fair question to ask the point of a collection like this. I would say that it is far more significant than anyone realises: it offers the architect or the owner of an historic building accurate and real examples of all the necessary elements to ensure accurate and sensitive restorations.

Drawings and photographs are one thing but to have the real thing is perfect. It would be possible from the mixture of actual objects and the comprehensive collection of trade catalogues dating from 1820 to the present to utilise the most exact available reference for the restoration of a building.

The most moving thing about the show at the Building Centre is the poignant sight of all the lost craftsmanship that went into the building trades in the 17th, 18th and 19th centuries. The collection continues to the 1960s but it is in the 18th and 19th centuries that it is strongest.

To see the beauty of an individual fanlight or a carved ram's head or a pine and gesso capital is to look at a lost civilisation. But there is a positive point to the rescuing of all these elements, and that is the fact that they are available for reference and copying. Sometimes duplicates from the collection are actually sold.

There is a fine teak door from Lutyens House, designed and built by Sir Edwin Lutyens as Britannic House, Finsbury Circus, in 1924 which shows its copperlite glazing and the Wren-inspired mouldings. This door was removed from the building only last year. The most beautiful fanlight designed by Robert Smirke has been rescued from the Royal Mint, which is undergoing "refurbishment."

A quite remarkable fusion of gothic and classical elements can be seen in the fanlight designed by the Adam brothers for No 49 Portland Place, London. This magnificent Adam house was ripped apart and many original details lost during its rebuilding as the Chinese Embassy. Charles Brooking casually says he has some 150 fanlights in his collection.

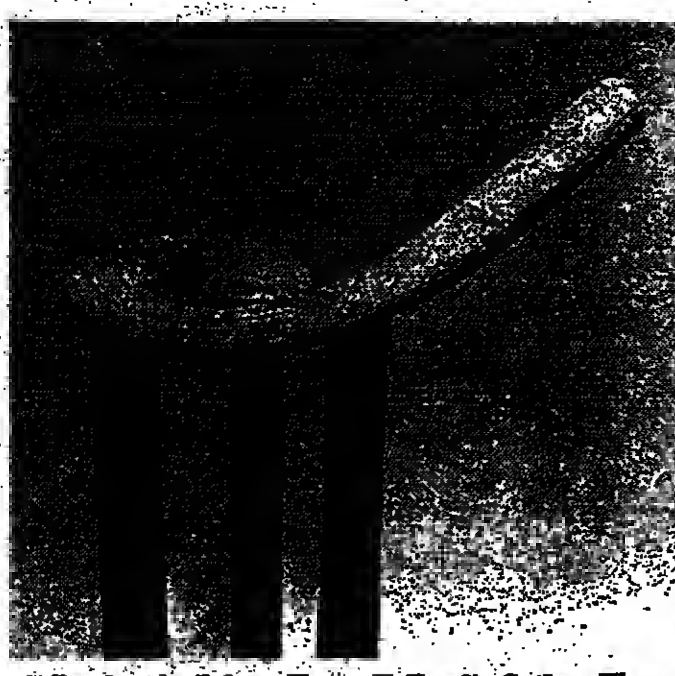
The array of fire grates at the exhibition shows a remarkable and beautiful range. A mysterious early 20th century one with a scene of the Epiphany is included to see if any visitor can help identify it. The exquisite duck's nest grate in cast iron with the emblems of the United Kingdom and the head of George III was removed from the Royal Military Academy at Sandhurst only in 1986.

This magnificent collection is the work of one dedicated enthusiast. It is at present housed in a series of sheds in the Surrey garden of Charles Brooking's long-suffering parents. It deserves a new home and sponsorship from the building world, and that is part of the object of showing some of the collection at the Building Centre.

Last year, the Prince of Wales presented Charles Brooking with one of the prestigious National Art Collections Fund Awards for his personal commitment to this remarkable collection. Stories are legion of deals struck with demolition men, huge fragments of buildings being conveyed to Guildford by taxi, but the serious purpose to form a national reference collection shines through.

What is also shown up by this collection is the weakness of the listing system to protect interiors and the folly of so much facadism. What is the point of keeping facades alone without the interior and the fittings that actually make up a historic building? Mr Brooking is the personal saviour of much of our building heritage.

The time has come for helping hands to be extended to make the best possible national use of the collection. It is a rare and extraordinary treasure.



A fine handrail from Henry Holland's Cutlers Warehouse, partly demolished in the 1980s

New $70m home for Houston Opera

Andrew Porter

America's latest opera house is the Gus S Wortham Theater Center in Houston, built at a cost of $70m, and the new home of the Houston Grand Opera and the Houston Ballet. In a city of soaring towers of attention-grabbing architecture, it makes rather a dumpy impression: a square-cut brick building with granite trim, the facade a parody of a Tewkesbury Abbey with a huge, glassed arch reaching to the roof

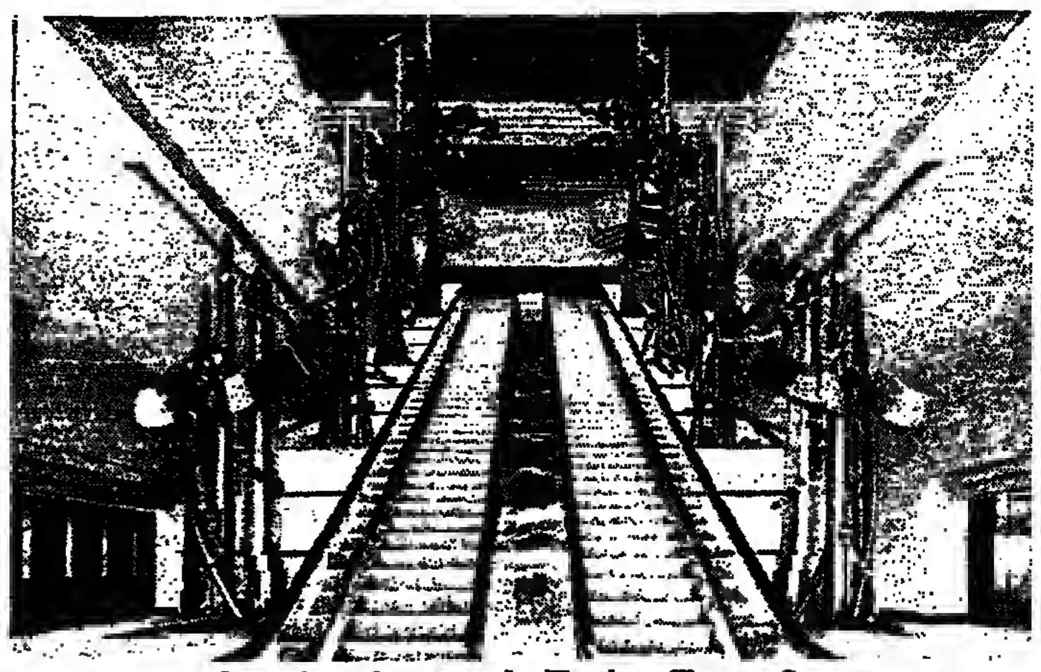
The architect was Eugene Aubrey, who did the Houston Astrodome and the Rothko Chapel. A design by Philip Johnson, who has worked a good deal in Houston, was turned down as too expensive.

On entering, one is faced with a twin escalator flanked by tall sculptures by Albert Paley. The escalators debooch into an immense foyer. We are told that it could hold a six-storey building. It is grandiose in size but not pleasingly proportioned or detailed The decoration has been devised for easy maintenance: painted walls, carpet in readily replaced squares.

After traversing the foyer ticketholders in the boxes can proceed into their own lobby. but most of the audience must then descend again downstairs and into corridors that lead left and right to the two auditoriums.

The larger, the Alice and George Brown Theater, holds 2,200, which is small by American standards but laid out in such a way that it feels big. There are only three tiers, set well back, and the audience is not wrapped around the stage. The Star of Texas is the decorative motif in an otherwise pretty plain, unstimulating hall.

The Lillie and Roy Cullen Theater holds just more than 1,000 Again the audience is disposed in an non-intimate way, and it does not feel like a small theatre Both houses have what is described as a "Bayreuth" pit stretching back under the stage



Central escalators at the Wortham Theater Center

This runs contrary to the tendency of our day, which is to bring the orchestra up and out into the house, 19th-century fashion, where the players can hear the singers, balance and make music with them. (Since James Levine raised the Met orchestra pit, the old complaints about orchestral swamping have just about ceased) In both houses the orchestra seemed a bit muffled, not keen.

The Brown Theater opened with *Aida*. Nothing special to report, for it was a dull, routine performance. Mirella Freni grappled with a role for which nature did not intend her, Placido Domingo was his usual reliable self, Stefania Toczyska a strident Amneris, Ingvar Wixell as Amonasro. Sinopoli, due to conduct, had cancelled, Emil Tchakarov had a technique too elaborately flamboyant to allow the constant little adjustments that keep singers and orchestra together. Pier Luigi Pizzi, designer and producer, made the principals look ridiculous: *Freni in a narrow*, ill-cut blue dress, Domingo in a gilded miniskirt, with bare feet and a long, long blue train. The set was panels and columns swishing to and fro.

The Cullen Theater opened with *Die Entführung*, in a deliberately tacky presentation: a B-movie was being made (at least the fourth "let's show an opera being filmed" presentation of the year), about 1920s Americans in trouble with officialdom on a Turkish island. Peter Mark Shifter produced. After the deadly parade to which *Aida* had been reduced, it was at least lively and entertaining. Most of the singing was passable, and Evelyn de la Rosa's, as Constanze, was accomplished.

In the city where Mies, Pei, Pelli, Johnson, Stirling, Renzo Piano (the elegant, economical pavilion for the Menil Collection) are prominently on display the Wortham Center is architecturally a disappointment. But Houston needed a new theatre. Jones Hall (where the Symphony remains) has a romantic lobby with a splendidly theatrical feel about it. For the first time, the Houston Opera can play a season, not one opera, a gap and then the next. It is one of America's leading companies with a fine record for doing new works: *in recent years Carlisle Floyd's Bilby's Doll and Willie Stark*, Glass's *Akhnaten*.

This is the first in a series of articles by the writer on musical events in America.

The Nine Night

Claire Armitstead

The estimable Temba Theatre Company begin a four show season at the Young Vic with *Black Love Songs*, a challenging and stylistically diverse double bill by black American writers which sets identity firmly at the top of the agenda.

Would that *Umoja*, another of London's leading black companies, had the finesse to follow their example. Edgar White's *The Nine Night* presents them with the opportunity for a far more sophisticated look at race and its repercussions than is realised in Gloria Hamilton's doggedly ribald production.

The show, which takes off on a short tour after its run at Deptford's Albany Empire, trains a spotlight on the gap between West Indian imigrants of the '50s and their British-born children: in a family of three children, two have "gone native" this is how the Jamaican patriarch regards shacking up with whites.

His wife has effected her own small betrayal by finding herself a steady job in the white establishment; only one son remains true to his perceived roots, and his father tolerates him least of all precisely because he is unassimilible.

The theme is framed within a comic structure, but one far more subtle than the production allows: postures are cunningly exposed, attitudes explored and the little hypocrisies of life uncovered.

When an Edgar White character moans that football is just not cricket, you know sport is not all that is at stake. Calvin Simpson has his moments as the cantankerous Hamon Williams, while Victor Romero Evans turns in an easy performance as his wayward Basta son who lives on hire purchase and steals what he cannot borrow, but there could be so much more.

In *Black-Love Songs*, on the other hand, the production vindicates the plays, *Herbert III* by Ted Shine, is a naturalistic scene from a marriage: a middle-aged couple await the return of their only son in the early hours of the morning.

Gently, Shine reveals the frustrated energy of a mother who lives for the day she will see her boy doing better than his father; ruefully he focuses 18 years of marital discontent and parental ambition on the absence of a young gadabout while keeping the play firmly within the context of a generation of blacks who fought in Korea and were rewarded with second-class citizenship.

This shrewd miniature is offset by Kalamu Ya Salaam's ironically titled *Black Love Songs No 1*, which makes a case for a new black nation by demolishing the rape, betrayals and toadyings of the old. Director Heather Goodman, stepping in at the last minute, gives a performance of illuminating brilliance, changing from the fractious mother of Herbert 111 to a black everywoman who is raunchy charismatic and vulnerable.

Patrick Miller joins Goodman and Doyle Richmond for this second piece, which, with balletic precision, apportions guilt not only to whites but to the blacks who serve and entertain them. The use of direct appeal to the audience strikes an odd note in a house full of white theatregoers, and I should imagine the Temptations would have something to say about being dismissed as "white projections, but the performance creates faith where logic falters.

Pursuit/Covent Garden

Clement Crisp

Bruce Sansom and Karen Paisey — Alastair Muir

Ashley Page's *Pursuit*, made last summer, has returned to the Royal Ballet repertory at Covent Garden, and splendid it looks too. On Saturday afternoon its brightness quite as strong in the dance as in Jack Smith's glittering decors and Colin Matthews' bustling score had the exhilarating effect of taking us away from the moonlight and mists of *The Dream*, which preceded it, into brightest sunshine.

Pursuit is in essence a ballet about ballet, about the procedures and syntax of the academic language. Ashley Page appears to want us to see form and structure even the differing temporal states of the same movement idea and how these may be exposed and then united into a close yet complex unity. One of the earliest and most memorable images in the piece is of a line of dancers sweeping round the stage like the second hand of a clock, and indeed, the ballet has at times the frankness about its components of a skeleton clock in which we may see the parts, beautifully machined, ticking and clicking merrily away contained nonetheless within a clear purposeful framework.

Thus there are sequences when the dancers seem busy at disparate activities which are suddenly pulled into alignment, when duets are seen without their participants actually working together, or when diffuse energies suddenly congeal into groupings which break to form further cells of activity.

No less fascinating is Mr Page's willingness to distort or extend an idea to extravagant or teasing lengths: in a pas de trois, odd things happen to a girl as she continues a movement to the floor, or leans on one of her cavaliers, and we see the absurd logic of a step. But nothing appears anarchic: this is a creation as surely classical as Ashton's *Scenes de ballet*, whose heir 40 years on it seems.

The performance by a largely original cast Rosalyn Whitten a welcome newcomer was clear and true, with Fiona Chadwick and Jonathan Cope excellent, as they were at the first performance, in the mysteries of the final duet Here the choreographer's sense of dynamic theatre dance as drama is marvellously apt as Miss Chadwick leans suddenly against Mr Cope at curtain fall. *Pursuit* ends as it has begun and as it has continued, on a note of alert, vivid balletic imagination.

In The Dream, which opened the afternoon's triple bill, Bruce Sansom made his debut as Oberon. His dancing is clean and fresh. Both he and Karen Paisey his Titania, look positively child-like in their roles, and their innocence is attractive, if a little lightweight for the adult passions of the Nocturne pas de deux But there is promise there for elegance and emotion to come.

Instant Composers Pool makes UK debut

The Dutch collective, Instant Composers Pool, and British saxophonist, Evan Parker appear together at London's Queen Elizabeth Hall on Tuesday February 9 as part of an Arts Council Contemporary Music Network tour

Now in its 21st year, the Dutch group is making its first tour of Britain Among the places to be visited are Birmingham, Liverpool, Manchester Leicester and Brighton

Britten Quartet/Wigmore Hall

Richard Fairman

A few years ago there could hardly have seemed a figure less representative of traditional Soviet values than Shnitke a composer who unsettles audiences with his darting intelligence and quirky humour, forever raking over the music of the past with a none too respectful eye and writing works which deny the official mood of optimism. Now it all sounds very much in the spirit of the times.

The chamber works, in particular have a wide currency at the moment and it says something for Shnitke's present standing that one feels no surprise at meeting his recent Third Quartet (1983) given by a recently formed ensemble of young British players at the Wigmore Hall. This was the Britten Quartet, whose account of the piece on Thursday left no doubt as to its strong and typically compressed line of thought.

As always, Shnitke teases. A couple of quotations from di Lasso start followed by a little Beethoven and Shostakovich's favourite "DSCH" motif: but the value of his music at its best, goes beyond such games. The moment of reckoning here comes in the last movement, where a deep-seated common triad announces that the composer is now ready to pull his ideas together, and there follows a finale of no little cumulative power.

In their opening item, the second of Beethoven's Op 18 quartets, the young ensemble had offered polite music-making of a kind that suggested little capacity to embrace any rougher styles. For the Shnitke they threw off their shackles with unexpected confidence. Here every player seemed full of dramatic intent and they played like demons in the second movement, where Shnitke devilishly throws everything into the melting-pot.

Not a great deal of this aggressive intensity carried over to their performance of Schubert's *Death and the Maiden* quartet. But that was still cultured playing at a high level of musicianship (the slow movement was beautifully inward) and the dulcet sound they make, well balanced and with the first violin providing a sweet upper line, is always a pleasure to listen to. They are definitely a quartet to watch.

Man to Man/Royal Court

Martin Hoyle

This 80-minute monologue by the East German writer Manfred Karge was reviewed by Michael Coveney at the Edinburgh Festival last summer. It has come south from the Traverse Theatre to Sloane Square and has, I imagine, lost none of the impact of Tilda Swinton's extraordinary solo turn

About the play itself it is perhaps too easy to leap to symbolic conclusions. The woman who assumes her crane-driver husband's identity and job survives the war to swig beer and swear about the boring telly in arid post-war affluence, her *persona* irremediably split, her values reduced to immediate gratification and dog-eared cynicism this self-willed Frankenstein monster of self-preservation is all too apt an emblem of the new Germany.

Although allegedly less "political" than Brecht (in the sense that political assumptions permeate Brecht's writing, even when themes are not explicitly political), Karge makes an inescapable political statement in the very negativism, the shrugging indifference, of his final image; even if the statement is by implication anarchic.

About the performance there is no doubt. The actress, her face plastered with grease, her hair a hacked, punkish blonde coiffure, eyes dark-ringed like a merciless clown's, strides round the stage in vest, workman's boots and appropriately padded Y-fronts. She begins by reminiscing about the holiday cruises in Hitler's day, snarls about work-shy idlers ("where there's a will, *Arbeit macht frei*"), and gradually unfolds her story a history of disguise whether as a man, farmhand or factory worker not to mention the weekend reversal to femininity with which she engineers the infatuated factory-owner's downfall: a fair haired, coarse-voiced androgyne, the Good Woman of Szechwan as played by David Bowie.

Stephen Unwin directs in Bunny Christie's antiseptic white box of a set, technological toys and dreck furniture speaking volumes for the priorities of the new materialism. Ben Ormerod (lighting) and George Tarbuck (sound; a judicious use of such sweet, sweet poison to the age's tooth as Beethoven and "Sentimental Journey") abet the actress in her selfless performance of Anthony Vivis's excellent translation

Not an easy 80 minutes for performer or audience, but a return to substantial and nourishing fare after the souffles of the holiday season.

Tulsa art museum completes expansion

As if to belie the problems in the American oil patch, the Gilcrease Museum in Tulsa is celebrating the completion of a $12.5m expansion

Doubling the size of the museum founded in 1949 by one of the state's legendary oil tycoons. Thomas Gilcrease, the addition opens a new view on one of the country's most prolific and least known collectors.

His trove had grown, by the time he died in 1962, to 10,000 paintings by the likes of Thomas Eakins, John Singer Sargeant, Winslow Homer, Albert Bierstadt and Frederick Church

The expansion doubled the number of works on view though the sizeable space, spread out on three floors overlooking the Ozark hills still accommodates only a third of the collection

It shows Gilcrease as a man fascinated by the history of habitation in North America ranging from pre-Columbian sculptures and 16th century judicial records in Spanish to the glamourising views of cowboys and Indians by Frederic Remington and Charles Russell.

Himself part creek Indian, Gilcrease used a suddenly made fortune to visit Europe where he was inspired to amass a record of his own civilisation long before American art held wide appeal.

Early on, he was as likely to buy works in Europe as America, since an embarrassing succession of American artists starting with Benjamin West who became a founder of the Royal Academy had better luck selling their works abroad than at home

Arts guide

January 9-14

Music

PARIS

Tallis Scholars. English Renaissance Music by Tallis, Byrd, Sheppard (Mon). Saint-Germain L'Auxerrois Church. (42 30 15 16).

Orchestre National de France conducted by Vaclav Neumann, Christa Ludwig, mezzo-soprano, Mahler's Lied von der Erde (Mon). Theatre des Champs Elysees. (47 20 36 37).

Christiane Eda-Pierre, Soprano, Alexandre Tharaud, Piano: Schubert Lieder Ravel, Chopin (6.30pm): Trio Rostropovitch/Mutter/Giuranna: Beethoven (8.30pm). Both concerts Monday TMP-Chatelet. (42 33 44 44).

Ensemble Orchestral de Paris conducted by Antonello Allemandi, Pascal Roge, Piano: Faure, Saint-Saens, Beethoven (Tue). Salle Pleyel. (45 63 07 96).

Orchestre Francais d'Oratorio conducted by Jean Perisson with Elisabeth Brasseur's choir Mozart (Tue) Saint Roch Church. (42 61 93 26).

Orchestre Colonne conducted by Philippe Entremont: Haydn, Mozart (Tue). Theatre des Champs Elysees (47 20 36 37).

Orchestre de Paris conducted by Semyon Bychkov Peter Serkin, Piano: Stravinsky Berlioz (Wed, Thur). Salle Pleyel. (45 63 07 96).

NETHERLANDS

Amsterdam, Concertgebouw The Netherlands Philharmonic under Boris Andreescu, with Liana Isakadze, violin: Tchaikovsky, Shostakovich, Dvorak (Tue, Wed).

Amsterdam, Recital Hall. The Amsterdam Loeki Stardust Quartet: Frescobaldi, Jenkins, Sweelinck, Bach (Tue). Ruud van der Meer, baritone, accompanied by Rudolf Jansen Vaughan Williams, Brahms, Mahler Faure Duparc, Chausson (Wed). Anner Bijlsma, cello, with George Pieterson, clarinet, and Gerard van Blerk, piano: Weber, Schumann, Brahms (Thur). (71 83 45).

The Hague, Philipszaal. The Hague Philharmonic: Mozart, Vogel, Bartok, Brahms (Wed). (60 98 10).

Groningen, Oosterpoort. Frans Bruggen and Sour Cream: De Machaut, Kondo, Lloyd, Boeke, Bach, Cornysh (Tue). Renaissance vocal music from the Scholars (Thur). (13 10 44).

Eindhoven, Globe Theate. The Wilanov Quartet: Beethoven, Szymanowski, Bartok (Thur). (11 11 22).

ITALY

Rome, Auditorium in Via della Conciliazione. Juri Termirkanov conducting Sibelius Dvorak (Mon and Tue). (65 41 044).

Rome, Teatro Olimpico (Piazza Gentile da Fabriano). Claudio Scimone conducting Solisti Veneti and the Ensemble de Trompettes Guy Touvron, Handel, Vivaldi, Bach and Haydn (Wed). (39 33 04).

Rome, Oratorio del Gonfalone (Via del Gonfalone 32/A). Works for oboe and string quartet by Boccherini, Bach and Mozart (Thur) (68 75 952).

Milan, Teatro Alla Scala. Tenor Peter Schreier accompanied by Norman Shetler Beethoven (Mon). (80 91 26).

NEW YORK

Julliard String Quartet. All Brahms programme (Tue); Marc-Andre Hamelin piano recital. Ives, Haydn, Liszt (Wed). Carnegie Hall (24 78 00).

New York Woodwind Quintet play original instruments. Mozart, Krommer, C.P.E. Bach (Mon); Gilbert Kalish piano Mozart, Roseman, Picker, Thuille (Tue) Merkin Hall (Goodman House). 67th w of Broadway (36 28 719).

Chamber Music at the Y Jaime Laredo director Schubert, Mozart (Tue, Wed). Kaufmann Hall 1395 Lexington Av. (83 18 603).

New York Philharmonic (Avery Fisher Hall). Zubin Mehta conducting, Yvonne Loriod piano, Jeanne Loriod, ondes martenot. Messiaen (Thur). Lincoln Center (874 2424)

Waverley Consort *(Alice Tully Hall)*: Celebrating Eleanor of Aquitaine and her world with 12th century music and verse when the troubadours flourished under the patronage of the queen of two realms (Thur) Lincoln Center (36 21 911).

WASHINGTON

National Symphony (Concert Hall). Giuseppe Sinopoli conducting, Salvatore Acarrdo violin. Verdi, Mendelssohn, Mahler (Thur). Kennedy Center (25 43 776).

CHICAGO

Chicago Symphony (Orchestra Hall). Esa-Pekka Salonen conducting, John Browing piano. Haydn, Bartok, Nielsen (Thur) (48 58 111).

TOKYO

Zoltan Kocsis (piano) Mozart, Liszt, Schubert. Tokyo Bunka Kaikan recital hall (Mon) (57 33 588).

Robert Bickerstaf (baritone) with Shun-ichi Ohba (piano). Handel, Brahms, Verdi, Leoncavallo. Komaba Eminence Hall. (Mon) (95 41 580).

Shinsei Nihon Symphony Orchestra, conducted by Hideaki Muto, with Zdenek Tylsar (horn) Strauss, Tchaikovsky Tokyo Bunka Kaikan (Tues). (98 54 836)

Halley String Quartet. Haydn, Bartok, Dvorak. Casals Hall Ochanomizu. (Wed) (29 12 525)

Lazar Berman (piano) Schumann, Liszt. Tokyo Bunka Kaikan recital hall (Thurs) (26 56 361)

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Monday January 11 1988

Brady's wrong analysis

THE WHITE HOUSE has made it clear that it intends no early action to carry out the recommendations of the presidential task force on the October 19 stock market crash. Some delay is natural; the Securities and Exchange Commission has yet to be heard from, and both the Senate and the House of Representatives are just launching their own hearings. But since the measures proposed in the task force's Brady report are ill-defined, and the analysis on which they are based is debatable, delay is not only natural but welcome.

The report's narrative of the week of the crash is fascinating, but not particularly surprising. The most striking findings are the large influence of a small handful of institutions and the importance of disappointed takeover hopes, following hostile tax proposals in Congress. However, the analysis of this history is open to question.

The report lays heavy stress on two technical facts. One is the influence of programme trading, which has already been denounced by the Chairman of the New York Stock Exchange. The other is the closure of the futures markets for the greater part of the crisis days, which diverted selling pressure to the securities markets themselves.

Now it is one thing to argue that these factors made the collapse faster, it is quite another to conclude that the fall went too far. The trading of the last three months suggests, on the contrary, that in spite of near-panic on the day, there was remarkably little overshoot. After its shock, the market found a relatively narrow range within which it has traded ever since. Nor have the financial markets proved as fragile as the report suggests. They have absorbed a fall of a third in values in two days without any major failures.

Single authority

Even if the practices which worry the task force had caused real damage, it is not clear what action, if any, should follow. If computerised trading had caused a market overshoot, the programme traders would have lost a great deal of money and the practice would have died out. As we were reminded sharply on Friday, this did not happen. Equally, if the futures markets had been able to absorb bigger price movements, these would have been transmitted to the securities market through arbitrage, with the same result for prices.

The report also makes much of the fact that futures, options and securities are all traded in what is essentially the same market. The task force seems to think that those who use the markets never knew this, which is a travesty.

The recommendations which follow this analysis are also debatable. The idea of a single authority to set standards in what is essentially a single market looks logical, but it is not clear what these standards would be. What, for example, are "consistent" margin requirements? The futures market, which is almost entirely professional, where books are cleared daily and where the locals who provide a jobbing service trade strictly on their own account, needs quite different rules from the securities market.

Enhanced risk

The most sensible proposal for the stock market seems to be the one most favoured by the witnesses heard by the task force: higher capital adequacy requirements for market-makers. The silliest is surely the idea that the stock market should react to sharp movements by closing down.

One conclusion of the report is valid and important: the crash did a great deal to destroy the illusion of liquidity in the financial markets, and a good thing too. It will be a long time before investors believe again that they can chase a bull market out of all touch with the fundamentals, and then get out at the top. This will do more than any new rules to check the excesses which lead to crashes, especially if investors remember that electronic markets are likely to correct themselves far faster than in the past, even if the rules are modified.

This enhanced risk should also be a warning to central banks to be niggardly with the liquidity and market credit which inflates financial bubbles. But Wall Street is not the place where this lesson most urgently needs to be heeded. The single market is a global market, and it is only a little less risky thanks to this swift but quite modest correction.

Nurses deserve better treatment

NURSES DO not go on strike at the drop of a hat. The brief, but extensively publicised, walk out by less than 40 night duty staff at a Manchester hospital suggests that the profession is deeply alarmed at the Government's move to trim the £465m a year bill for special duty payments for working nights, weekends and on Bank Holidays.

It may be, as ministers claim, that there is widespread misunderstanding of the move. It may be, as they say, that nurses' trade union leaders have not exerted themselves to clear up such misunderstanding. It may even be, though ministers argue this less convincingly, that no nurse would suffer any overall loss of income through the proposed introduction of a flat-rate unsocial hours payment of £1.20 an hour.

However, it is hard to escape the conclusion that the Government has added unnecessarily to its already considerable problems over the National Health Service. The attempt to tinker with special duty payments, which make up between 10 per cent and 15 per cent of nurses' average earnings, smacks of short-term expediency when the nursing recruitment issue demands fresh and imaginative thinking.

Commendable plan

After events of recent weeks, most people are conscious that localised shortages of nurses are one of the biggest problems facing the NHS. But the outlook is even worse. Traditionally, nursing recruits 25 per cent of girls who leave school with between five O levels and two A levels. But this age group is shrinking at precisely the time Britain's ageing population is dictating an expansion of the nursing workforce. Pessimistic projections suggest the NHS could by 1995 be as much as 50 per cent short of the required annual training intake of 32,000.

So far, the Government's principal response has been the negotiation of a revised career structure for nursing. Salary rates for this are due to be recommended this spring by the profession's pay review body and the result should be better long-term rewards for career nurses, particularly those with specialist skills such as care for children or the terminally ill. The plan is popular and commendable.

Now, however, the Government is trying to help finance this revised salary structure by cutting expenditure on special duty payments. While it could be argued that if nursing considers itself a profession it should be all in favour of higher all-inclusive salaries, rather than industrial-type overtime payments, the Government has come dangerously close to stampeding a suspicious group of its key employees.

Crucial figures

Moreover, the clash seems peripheral to the questions raised by what has become known as the "demographic time bomb." Other big employers of school leavers, such as the high street banks, are taking contingency steps ahead of the recruitment squeeze. The NHS, which is never going to match the pay offered by such as the banks, needs to counter with radical initiatives of its own.

Solutions such as the cheap mortgage scheme for London nurses, the recruitment of more men and the use of Youth Training Scheme can only be of limited value. Of central importance is the attraction back of women who have left the profession to start families and who, surveys indicate, would welcome the opportunity to return if flexible working hours, transport and child care facilities were available to fit in with their domestic commitments.

To train a nurse costs an estimated £13,000, excluding salary. Turnover is such that the 500,000-strong NHS nursing workforce renews itself every six years. These, not special duty rates, are the crucial figures.

David Buchan and David Marsh report on how Europe's peace groups are reacting to the INF treaty

Marching in search of a new cause

EUROPE'S peace movements have a problem. The effect of the champagne with which they toasted last month's US-Soviet treaty scrapping medium-range nuclear missiles has worn off and they are pondering the decline in membership, if not morale, that 1988 is expected to bring.

The peace movement — that catch-all label covering people narrowly focused on unilateral nuclear disarmament, groups advocating wider East-West detente and "green" parties that also push a variety of ecological and social issues — is suffering from success. But the movement which brought thousands of demonstrators on to the streets of Western Europe in the mid-1980s and helped forge an "alternative" culture, is not about to go out of business, particularly when it is at last beginning to strike a faint echo in Eastern Europe.

But credit for the Intermediate Nuclear Forces (INF) treaty is hotly disputed between Western governments and peace groups. Moreover, while the treaty will only scrap some 3 per cent of the superpowers' nuclear arsenals, the peace groups expect a far bigger proportional fall-off in their membership and support. Why?

● Unilateralism seems less relevant to many people when a leader like Mr Mikhail Gorbachev is ready to negotiate reciprocal arms cuts with the West. Washington and Moscow are now discussing a far bigger deal, a 50 per cent reduction in their long-range nuclear missile capability. Thus, Western governments have been able to mount a plausible claim that the INF pact was negotiated despite, and not because of, peace movement pressure.

● Wherever future historians finally allocate credit for the INF deal, the very removal of Pershing and Cruise missiles from Western Europe will take away the rallying point of the peace movements. This may further erode membership and accentuate the in-fighting that has already broken out about future strategy and aims in such parties as the West German Greens, Europe's most politically potent "peace" party.

● The INF negotiations have also spurred talk of greater West European defence co-operation and, in the nuclear field, of a "Euro-bomb". Britain is now discussing a new airborne nuclear missile with France, which in turn is planning a joint army brigade with West Germany, and all three are involved in wider discussions on defence in the Western European Union (WEU). But because there has not been much of a anti-nuclear movement in France, the European peace movement is ill-placed to campaign effectively against the Euro-bomb.

"Is this what we achieved?", asks Mary Kaldor in the latest edition of the London-based journal of the European Nuclear Disarmament organisation (END). "Did our efforts to get rid of the missiles in Europe merely result in a reshuffle of the geographical cards, with Western Europe taking over the defence role of the US?" Her dismay is shared in Germany. "Just when the two main blocs are becoming more human," complains Ms Petra Kelly, the passionate founder of the German Greens party, "Europe is on the way to becoming another world military power."

Part of the peace movement's problem is that, outside France, established parties have taken on some of its clothing. In the UK the veteran Campaign for Nuclear Disarmament (CND) has influenced the Labour and Liberal parties towards nuclear unilateralism.

In Germany, the Greens' former claim to be a bridge-builder between East and West loses much of its appeal as the gulf between the two narrows. For instance, Mr Franz Josef Strauss, the ultra-conservative Bavarian leader, who was for years labelled by the Soviet Union as an archetypal Cold Warrior, is greeted in Moscow with open arms by Mr Gorbachev. Such changes make the Greens' links with Moscow suddenly seem a lot less useful.

More dangerous to the Greens' current parliamentary strength of 44 seats in the Bundestag, built on their capture of 8.3 per cent of the vote in last year's elections, is the growing similarity of the disarmament ideas of the Social Democratic Party (SPD) to their own. For example, the SPD has come out in favour of a nuclear free zone in central Europe, in conjunction with the ruling East German communist party.

The Greens have now developed into "a typical German party" beset with theoretical debate and factional rivalry, complains Ms Kelly. "The time for us has never been so good, but we have not used it." In the past, she made a virtue of the party's plurality of opinion. But the persistent feuding between the party's pragmatists (the so-called "Realos") and its strong fundamentalist wing (the "Fundis") has, in Ms Kelly's opinion, dashed hopes that they could become a genuine reform movement towards an alternative society.

On present form, she says "there is scarcely a chance" that the Greens will achieve the 5 per cent of the vote necessary for them to remain in the Bundestag after the next general election in 1990. The party's in-fighting can only benefit its near, and therefore arch, rival, the SPD. "Willy Brandt always used to say the SPD would cut the Greens down to size," Ms Kelly concedes. "I am beginning to think he might be right."

But while Western Europe could lose its only parliamentary "peace" representation, the peace movements are clearly here to stay as grass roots organisations. Assuming the US Senate ratifies the INF treaty this year, the three-year period of phasing-out of the missiles gives peace activists a target for protest until 1991.

The departure of Pershings and Cruises will leave peace groups, whose membership overlaps with many ecological and social organisations, at a higher plateau than when the missiles started arriving in 1983. Bruce Kent, the Catholic priest turned CND President, concedes that CND's national membership, which exceeded 100,000 in 1982-3, is now down to 75,000. But he points out that this is far above the 2,500 CND membership in 1979, the year when Nato decided on INF deployment.

Though peace activists have only indirectly affected the policies of national governments, they have had a direct impact at the local level. Following the British town of Manchester's decision in 1980 to declare itself a Nuclear Free Zone (NFZ), the NFZ movement has taken off as an international phenomenon. According to Professor David Regan, a local government specialist at the University of Nottingham, Britain has some 180 local NFZs, West Germany 150, Belgium nearly 300, the Netherlands 400, Spain more than 400, Italy almost 500, and Japan more than 900. Among Western countries, "only France has been notably cool in its response", he says.

The NFZ movement has come in for much ridicule. Since it is usually urban areas that have declared themselves NFZs, and since nuclear weapons are usually made and deployed well away from cities, its practical effect has been compared to that of inner city areas banning fox-hunting. Equally risible to many is the idea that the Soviet Union might respond by targetting its weapons away from Western NFZs. But NFZs have have had an effect in frustrating the transport of nuclear waste — civil or nuclear — and in obstructing civil defence, which is seen by peace groups as enhancing the likelihood of nuclear war by the simple fact of preparing against it.

No cities in the Soviet bloc have declared themselves NFZs, but there are changes taking place in the the Eastern peace movement. Until recently it was sharply divided. On the one hand, there were official peace councils run by government stooges who were only too happy to push the Kremlin line on Western peace activists. On the other hand, small groups of dissidents regarded Western unilateralists as naive in swallowing the Kremlin line, and of weakening the West's ability to deter Soviet bloc governments from attempting a total crackdown on human rights. In short, the Westerners just cared about disarmament, the (independently minded) Easterners were preoccupied with human rights, and the two groups never found common ground.

Nowadays, official peace councils in the East are talking more about mutual arms cuts and about military disparities (hinting at Soviet superiority in certain categories). More important, dissidents in Hungary, the Charter 77 human rights group in Czechoslovakia and the new Freedom and Peace organisation in Poland are beginning to put military matters on their agenda, just as Western peace activists, chiefly through END, are showing greater concern about human rights in the East.

Ms Kaldor of END believes there is a circular relationship between the two great problems of post-1945 Europe — the level of arms and the lack of democracy in Eastern Europe. "Only demilitarisation in the West will persuade the Soviet Union to pull its troops out of Eastern Europe, and only political improvement in the East will persuade the West to lower its guard."

Making this virtuous circle of events a reality looks like a recipe for multilateral diplomatic negotiation, rather than unilateral nuclear disarmament. The problem, however, for the peace movements is that the further they move from their absolute moral priority of unilateral nuclear disarmament, the more they become just another arms control/detente lobby group.

CND, for instance, is confident it will weather any post-INF doldrums by remaining as committed as ever to getting rid of the British nuclear deterrent unilaterally (which Mr Kent denounces as not only immoral but as useless "as a troupe of war elephants locked up in Windsor Castle"). Mr Stephen Brown, CND's international officer, believes that precisely because CND is the only substantial European peace movement with its own national nuclear weapons to campaign against, its support will fall off less than elsewhere. Issues like conventional disarmament, detente, ecology, even human rights rarely evoke the kind of emotive gut reaction that radiation and "nuclear winter" do.

In West Germany, the further course of disarmament may be heavily influenced by how much rein East European governments give their fledgling peace movements.

A grass-roots peace and ecology movement in East Germany is growing increasingly important under the protection of the Protestant church. It achieved a major victory at the end of last year when the state was forced to release environmentalists arrested in East Berlin. A more indulgent line by the East German authorities towards such groups could strengthen the strategy followed by both Moscow and East Berlin of trying to win the "nuclear-free zone" in central Europe — regarded favourably by the West German population, but which runs counter to Nato policy.

But sustaining the kind of cross-Europe momentum that existed at the height of anti-INF protests will be difficult, especially given the problem of France, the only other European country with its own nuclear force, where nuclear weapons are more a source of pride than protest.

As Mr Brown said: "For many countries without nuclear weapons, there is no solid centre of protest to keep the peace movement going."

OBSERVER

The Governor must be staying

■The Bank of England, it is said, has influence rather than power.

As he waits for the Prime Minister to announce his re-appointment for a second five-year term, Robin Leigh-Pemberton, the governor, is becoming more confident in using it.

His speech last week on the need for "caution" and "steadiness" in economic policymaking was a classic example of the Bank's ability to shape expectations in financial markets - and in turn influence the Treasury's decisions.

The Bank has only an advisory role in the framing of the Budget judgement - the balance between changes in tax rates and in the level of public borrowing.

Nigel Lawson, the Chancellor, has made no secret of his view that Leigh-Pemberton's job is to regulate the City rather than play a prominent role in broader policy issues.

Personal relations between the two men are said by both sides to be cordial - the Governor was guest of honour at the Chancellor's Christmas party - but Lawson is not renowned for sharing his responsibilities.

Last week's speech, however, framed in the carefully-coded language at which the Bank excels, gave a powerful signal that Lawson should keep a reasonably tight rein on his tax-cutting ambitions in March, though he also seemed to support the Chancellor in keeping up the exchange rate against the Dmark.

Not to re-appoint him now could set off extraordinarily confused reactions in the City and beyond, so one assumes that it is only a question of finding a suitable day for the announcement. Still, there is a wider point. Other ministers may be dispenable, but Prime Ministers, Chancellors and Governors stay. There has been a shift in the balance of power.

Not quite out

■One of the reasons Lord Whitelaw stayed in active politics so long was not just to guide the Prime Minister. He wanted to be around to preside over the succession and to see that there was no unseemly fight. The system of direct election to the Tory leadership by Conservative MPs, introduced after the controversy surrounding the choice of Sir Alec Douglas-Home, was anathema to him. He wanted a new leader to "emerge" in the old style. Since he remains deputy leader, he may still have a say.

Man to watch

■When President Babangida asks for a report on how Bernard Ingham, the British Prime Minister's press secretary, got a rifle butt in his stomach in Kano last Friday, he can draw on a useful eye-witness, George Dove-Edwin, Nigeria's High Commissioner to Britain.

The burly, benign Dove-Edwin, s career diplomat, was at the foot of the stairs on which Ingham got his buffeting while trying to catch up with Mrs Thatcher, who was about to review a spectacular parade in her honour. Dove-Edwin quietly intervened to stop the scrum getting out of hand. "Let the foreign visitors pass," he instructed the soldiers and a determined Nigerian lady, who were blocking Ingham's path. It helped open up the way.

Dove-Edwin, a former permanent secretary in the Ministry of External Affairs, who has also served in Japan and has quickly built up a reputation in Britain, is the sort of man who one day might make an excellent foreign minister on the return to civilian rule.

Brady's history

■The day after Wall Street plunged 508 points, Nicholas Brady was heading back on a plane from London to Washington. On that same flight, perchance, was James Baker, US Treasury Secretary. The two men got talking and, so the story goes, Brady found himself the candidate to chair President Reagan's task force investigating the Crash of '87.

"The second half of your treatment will have to be in the new financial year, I'm afraid."

His credentials stretched beyond the chairmanship of Dillon, Read & Co, the Wall Street investment company. During the Reagan years, he has ranked as a versatile political troubleshooter serving on two other important presidential panels, on Central America and the development of the MX missile.

Every member of the great and the good needs a political base: Brady's lies in his long-standing friendship with Vice President Bush. Both are Yale men, and Bush appears to value Brady's gritty self-confidence and judgement: by some accounts, Brady was virtually managing Bush's presidential campaign last year.

A native New Yorker, Brady, 57, first joined Dillon, Read in 1954, shortly after taking an MBA at Havard. He has been with the firm ever since, save from a brief spell in the Senate in 1982 when he was called upon to fill the unexpired term of Senator Harrison "Pete" Williams, the New Jersey Democrat indicted in the Abscam bribery scandal. Hence Brady's title-for-life of "Senator", despite the fact he was never elected to office.

The administration seems to have turned against his report even before it was published, though it was only coincidence that the Dow Jones Industrial Average fell another 140 points when it came out last Friday.

Mellor to mellow?

■David Mellor, the junior minister at the British Foreign Office, who made a name for himself by denouncing Israeli excesses in the occupied territories last week, has another challenging engagement ahead. He is going to the Leipzig fair in March. No doubt he will enjoy telling the East Germans to pull down the Berlin wall.

Another Monopoly

■SCOOP, a long forgotten board game in which the players aim to be successful journalists, is to be revived by Waddington. One new feature is that imaginary newspaper titles such as the Daily Bugle and The Beast have been replaced by four titles owned by Rupert Murdoch - The Times, Today, News of the World and The Sun.

Mike Ganley, Waddington's sales and marketing director, said: "We asked for permission to use the titles because we felt that people could relate to them far better than they could to the old names.

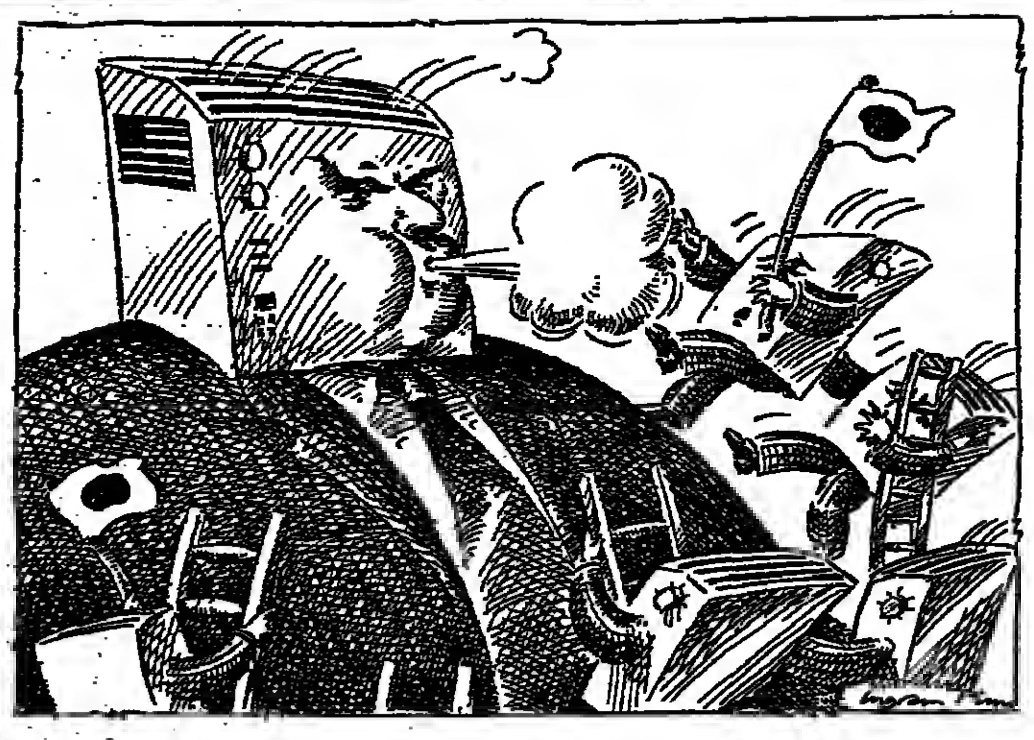
"The only other choice for us was Robert Maxwell's newspapers and there was no way we were going to approach him." Maxwell made two unsuccessful takeover bids for Waddington. He has not been forgiven.

Lovesick

■Times are hard on Capitol Hill. An advertiser in the Washington Post is offering an intriguing collection consisting of a four-poster bedframe, a love seat (needs to be re-upholstered) and a paper-shredder, all at bargain prices.

Nick Garnett reports on how US air conditioning makers are defending their dominant position

A chilly blast for the Japanese



IN THE NEAT Baptist township of Tyler, north of Dallas, a mention of the Japanese risks exciting that mixture of exasperation, annoyance and begrudging respect so common in smokestack America. At the factory run by Trane, the second biggest US maker of air-conditioning equipment, it also prompts a chuckle.

"We are looking hard at the Japanese, but right now they are not really a threat," says export manager Mr Bill Russell, his smile turning into a laugh. "Still, I guess that is what General Motors once said."

Paying a visit to the Texas plant from Trane'e head office in LaCrosse, Wisconsin, Mr Russell can afford to make light of it all. Among the battles for global industrial domination which the Japanese have been waging – and usually winning – against the Americans, the fight for the $9bn (£4.8bn) world market for air conditioners has not gone according to plan. In their attempts to break the power of US prodneers, the much-vaunted Japanese have stumbled.

After gaining a near stranglehold on many of the national markets in their Asian backyard, the dozen or so Japanese companies in the industry made a push into North America with small, window-mounted home air conditioners. Their assault was so ferocious that it wiped out a lot of American competition during the early 1980s. Frigidair and General Electric were among those who withdrew from that slice of the business.

Since then, however, the Japanese drive into the US and Europe has run into a clutch of difficulties. In the US, which represents half the world market, their gift for knowing what the customer wants for once failed them. For example, their attempt to move the residential market for large systems away from the customary "ducted" system towards the split-room system has largely flopped. The ducted system uses a single, central blower unit to distribute air around buildings through ducts, whereas the split-room system utilises separate air conditioning boxes for each individual room.

"They are trying to leverage that split-room system on the whole world," says Mr Glenn Woodard, vice-president for marketing at Tyler. "But we doubt that they can persuade Americans to take the split-room idea." The rising price of the yen against the dollar has also restricted Japanese incursions into the market for big commercial systems in shops and offices.

In some European countries, too, the Japanese have run into difficulty with national specifications, or type approval, for components, the kind of barrier the Japanese themselves have employed so successfully to inhibit imports into their own country. This problem, particularly over heat exchangers, has stunted Japanese sales penetration, which remains almost non-existent in countries like West Germany and Italy.

As a result of all this, the aggressive and tough-minded Carrier of the US has managed to retain its position as the world's biggest supplier of air-conditioning equipment, while other American companies, like Trane and York, Snyder and Dunham Bush, have remained powerful forces. Carrier, with production plants in eight countries, including Japan, Korea and Taiwan, has maintained a substantial sales presence in Asia and seems determined to take the battle to the Japanese.

They appear to have been taken aback by the resilience of the Americans. A few companies, such as Metsushita, have turned aside from markets in which they were once keen to make a mark.

However, the persistence which has made Japan such a feared competitor, looks as if it is re-emerging among the air-conditioning equipment makers. They have started to probe and prod again, seeking new ways to identify any vulnerable parts in the underbelly of their American competitors.

This is being felt most acutely in Europe, where there are no really big indigenous suppliers and where the Japanese have been launching an offensive through the UK and, to a smaller extent, in France. "Their marketing strategy is not very aggressive right now," says Mr Daniel Hilger, general manager for Europe at Trane's Epinal plant in France. "But we should not dream. They will come. Opening up the market in 1992 will help them."

The Japanese drive into the US and Europe has run into a clutch of difficulties

The Japanese also seem ready to circumvent the hurdle of national engineering codes for components by setting up assembly operations in Europe. Daikin already has a plant in Ostend, Belgium, and Hitachi has indicated that it will probably set np a plant in Europe.

At the same time, the Japanese are trying to weaken the position of their US rivals by extending their technological lead in the production of compressors, the heart of the air-conditioning system. Using factories which are more advanced and cheaper to operate than the Americans', they have achieved supremacy in advanced compressor types, such as "screw" and "scroll" compressors (named after their main moving parts). These compressors offer greater efficiency to the consumer in certain horsepower bands. But the high-precision engineering involved can make them costly to manufacture.

The Americans have the design capability – they and the British invented most of it and in some cases are licensors to the Jepanese – but they have found it a struggle to reduce machining costs to a point where they can make these types of compressors at a reasonable price. Many American manufacturers have been slow to update equipment and reduce very high manufacturing costs. By contrast, Hitachi's robotised plant in Shimizu, manufacturing is almost totally automated from casting to final assembly.

The Japanese are dangling these compressors in front of the Americans, offering to manufacture them for US companies. Carrier, based in Syracuse, New York, has a Hitachi scroll compressor under trial. But although this could be useful to American companies in the short term, the long-term danger is that even more technological edge will be lost. One company, Lennox, one of the larger US equipment makers, announced recently that it was getting out of compressor manufacturing altogether.

Soma American companies have been lured into co-operation agreements. York, for example, will soon market some Mitsubishi-made air-conditioning equipment. Ominously, Mitsubishi has introduced a ducted system of the type the American companies have used to secure their position in their domestic market.

The Japanese have another card np their sleeve because of the growing importance of the Pacific Rim, the huge marketing area the Japanese view almost as their own fief. It now accounts for a third of world air conditioner sales and this is expected to top 40 per cent by the middle of the next decade. This would give the Jepanese an even bigger power base.

Even in a growing industry – global sales are expected to reach $15bn by 1995 – the US domestic industry has shown plenty of signs of stress because of the fierce competition among indigenous producers. Names like Chrysler, Worthington and Westinghouse were important suppliers in the industry 20 years ago, but all dropped out in the 1970s.

More recently, while the largest two or three American manufacturers have kept themselves and their big investment programmes intact, a lot of second string players and the companies which make key components for them have been forced into a series of realignments.

For example, Snyder General purchased the Singer air-conditioning division several years ago and subsequently bought McQuay, another big producer, as well as Arco Air. This trend has accelerated over the past two years. York, which was owned by Borg Warner, was sold off in 1987 to a group of investors.

Meanwhile, Emerson Electric has hought Copeland, an important compressor producer, and Whirlpool has disposed of its Heil-Quaker air-conditioning business to Inter City Gas of Canada.

Nevertheless, the Americans show every willingness to defend themselves. Carrier, which has a turnover of $2.8bn, has spent $68m in the past year or so on product research and development. Even at the reletively small operation in Tyler, Trane has invested more than $60m in the last few years in new products and the modernisation of some rather tired-looking manufacturing lines. The Americans are investing heavily in developing advanced controls to produce what they call "comfort systems".

In the early 1980s, US manufacturers were severely criticised for their inefficiency and lack of quality control. Some of their plants still lag far behind the efficiency levels of Japanese competitors. But Trane is now confident enough to have introduced a screw compressor and to be planning the launch of a scroll compressor in 1989. Carrier also says it is evaluating options on manufacturing these compressor types.

"Okay, the era of doing nothing and sitting back has gone," says Mr Russell. "But I think we've caught the changes early enough."

The Japanese are still out to prove otherwise.

Airport policy

An obstacle to competition

By David Sawers

COMPETITION in the airline industry received little nourishment from the Department of Transport and even the Monopolies Commission over the British Airways/British Caledonian affair. But the department has a chance to redeem its reputation by acknowledging that the methods of allocating capacity at airports can stultify the modest progress within the European Commmunity towards a more competitive industry.

Airport capacity – measured in "slots", the time needed for an aeroplane to land or to take off – is allocated at the busier European airports by scheduling committees, on which all the user airlines are represented.

These committees follow rules laid down by the International Air Transport Association, the most influential of which is that airlines can retain the capacity they already possess.

These "grandfather rights" ensure that existing operators cannot be displaced; and, if capacity is constrained, that new entrants cannot obtain slots. The allocation of slots for new services by existing operators is largely a matter of bargaining between the airlines, based on their ability to exchange – and sometimes to buy and sell – the slots they already possess.

This system has worked up to now because airlines have not been competing, new entrants have been rare, and capacity has not been seriously constrained except at Heathrow. Capacity at Gatwick and some continental airports has recently become constrained as well, and the preferred solution, at Gatwick and at Heathrow, is to give scheduled services priority over the charter services which now use 44 per cent of the slots at Gatwick.

This method of allocating airoport capacity is difficult to reconcile with the efforts to liberalise European air transport. The measures recently agreed by members of the EEC relax the 50-50 shares of capacity between scheduled carriers on most European routes, and allow new services to be started between some major airports and provincial airports.

Neither measure can be effective unless airlines can increase the frequency of the services they already provide, or can launch new services. An airline that has expanded at the expense of its competitor on a route may be able to exchange slots with the loser; but it will face more difficulties if it has increased the total traffic on a route. The airline that wants to start a new service will face more problems still; it will be barred from Heathrow altogether, so that it will probably choose Gatwick.

When it applies for slots at a busy airport it may find that it is given priority over existing charter operators, bnt it will also find that demand exceeds supply, especially in the peak periods when a new service is most likely to be scheduled. It may also find that its competitors control the committee that allocates the slots.

These difficulties for new entrants will increase, the more numerous they become; and the success of the liberalisation measnres depend upon their becoming numerous. Competitive bidding for slots is the obvious method of allocation, but it has been rejected in the past because the airline industry is still so riddled with monopoly that the entrenched operators could afford to outbid the new entrants in order to prevent them starting new services. But it also seems that the present system may lead to payment for slots, if new entrants are to obtain any at all.

Reconciling the effects of the monopoly power of existing airlines with the desire to introduce competition between them and with new entrants may, in consequence, require more than the introduction of competitive bidding for slots and the abolition of "grandfather rights". The fundamental review that the subject requires would best be made by outsiders with experience of controlling restrictive practices; the subject should, therefore, be referred to the Office of Fair Tradiog in Britain, and the European Commision should investigate it in the Community as a whole.

The author is an economic consultant.

Letters to the Editor

Attitudes to work

From Professor Simon Domberger.

Sir, In his interview with John Lloyd (January 4), Lord Jakobovits suggests that British society has undergone "a veritable revolution of attitudes." He goes on to say: "I believe that work in itself has an *intrinsic* value, *not* only because it helps us to earn a living, but becuase we pay our debt to society in this way."

Is this to be interpreted as the essential change of attitude or is there an alternative explanation? Contrast the words of the Chief Rabbi with those of the father of modern economics, Adam Smith, writing in 1776:

"Every individual necessarily labours to render the annual revenue of the society as great as he can. He generally indeed, neither intends to promote the public interest, believes nor knows how much he is promoting it...he intends only his own gain...and is led by an invisible hand to promote an end which was not part of his intention."

Surely the triumph of Thatcherism lies in creating conditions in which the pursuit of self-interest and self-reliance achieve greater economic gains for society as a whole. The promotion of competition and entrepreneurial behaviour is likely to lead to greater prosperity overall, but also to greater inequality (as reported in the FT on the same dey by Andrew Teylor). In explaining these developments it is more realistic to speak of changing economic incentives which have confronted the British people, rather than of e fundamental change in their propensity to work.

Simon Domberger,
38 East End Road,
Finchley, N3

Spiritual beliefs are not retreating

From Mr Antony Chapman.

Sir, Joe Rogaly is uncharacteristically mistaken on several points ("The Empty Markets," December 24). It is regrettably not true that "spiritual beliefs are retreating out of sight," any more than it is true that there is e worldwide adoption of the market economy as the standard by which policies are judged.

The change in the "overall social norm" from one of being a believer to one of not taking much notice of religion has been going on – in this country at least – for well over a century, since the heyday of religiosity in early Victorian times.

What is more surprising is that at a time in man's development when he has grown out of the need of a god to explain the unknown, religions (and here I include communism) still maintain such a strong grip on society worldwide. After all, both Mrs Thatcher and President Reagan profess to be Christians.

It is not "the market" that is leading people – though not their governments – away from religion. It is a realisation that the story is not true, and that the ethics, with their authoritarian basis, are flawed.

As for the statement "Take away the spiritually or religiously based ethical factor, and you have nothing": that also is not true. Has Joe Rogaly never heard of the code of ethics which puts the welfare of human beings paramount, and is totally non-religious? I mean, of course, Humanism – which, incidentally, substantially predates Christianity.

Christmas is is an age-old non-religious winter festival taken over by the Christians, who even changed the date of birth of their god to coincide with it. If Joe Rogaly and other Christians want a religious celebration of that event, let them have one, perhaps on the correct date of birth. They can hardly complain if we non-religious are taking back our own winter festival.

Antony M. Chapman,
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Wendover, Buckinghamshire

Ways to account for human assets

From Mr David Duncan.

Sir, It is encouraging to note in Mr Amin Rajan's letter from the Institute of Manpower Studies (December 29) that there is a trend among City institutions "towards a more strategic approach towards staff development through better resource planning."

However, Professor Martin Walker's letter on the deprival value approach to accounting,on the same day, makes one doubt whether these valuable human assets will ever be accurately represented in their annual accounts.

Consider the money dealers who have recently been made redundant by their City employers. *Historical cost accounting* can accurately record the fees paid to headhunters, and the "golden hellos" to recruit them, and the costs of their accommodation, and salaries, and of the mistakes they made in adapting to a new environment. Replacement costs can also be calculated by traditional methods, but inflated by the unwillingness of staff to work for such employers.

But the fact of redundancies so soon after "Big Bang" suggests that although historical costs and *replacement costs* have *the* degree of verifiability which is necessary for external financial reporting, they are misleading, and lack validity in the face of rapid change.

Redundancies are a recognition of negative deprival values in the eyes of the employer; an evaluation that he can make more money by letting the vacated space. They may well be subjective and difficult to assess, but to the employee they are final, and their validity cannot be doubted. That the employer does not "own" them emphasises the negative value, as he cannot make money from any sort of transfer fee.

Psychometricians have come to recognise that in developing tests to predict executive success in commerce, reliable measures fall down in practice because the criteria they try to predict are even less reliable. Accountants should stick to reliable historical cost accounting, but find supplementary measures to represent accurately the dynamics of change.

David G. Duncan,
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Well versed in the City

From Mr Stephen Cockburn.

Sir, Clive Wolman's article on Sir Kenneth Berrill (January 5) states: "He became involved in the City only eight years ago at the age of 59 when taking over the chairmanship of Vickers Da Costa".

When Sir Kenneth Berrill was appointed to the board of Jove Investment Trust on June 1 1972 he had been a director for some years of the small but then well-known merchant bank, Ionian Bank Ltd. He was at that time on the board of several other investment trusts, having been the Bursar of King's College, Cambridge, and responsible for the college's investments while pursuing his academic career.

The reality is that, rather like the Chancellor of the Exchequer, the chairman of the Securities and *Investments Board* has intimate personal knowledge of the City acquired over many years. Perhaps that is why his Rule Book is causing such anxiety. Proverbially, poachers made good game-keepers, didn't they?

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If intended for publication, letters to the Editor of the Financial Times should inclnde, where possible, a daytime telephone number.

When inflation receded, resistance to change returned

From Mr W.J.H. Everitt.

Sir, If Professor Walker (December 29) cared to carry out a modest exercise based on the history of current cost accounting, he might be less inclined to accuse me of misconceptions. I recommend charting the ups and downs of apparent public acceptability of CCA between 1975 and 1984, and comparing them with the ups and downs of the retail price index over the same period. The correlation is striking. If Professor Walker carried out that study, possibly the Financial Times would find it of sufficient interest to publish it.

The point that I was making earlier was not that CCA is based on inflation – of course it isn't – but that public acceptance of the need for change to the system used in preparing published financial accounts appears to be closely tied to public perception of the rate of general price change. I do not believe that SSAP16 failed because it was conceptually flawed (though it certainly was) but because it proved impossible to overcome resistance *to* change in the absence of any urgent need for it, as evidenced by rampant inflation. When inflation was rampant, there was vast public outcry for the adoption of a new system – *any* new system – quickly, in the belief that any flaws could be ironed out later. But by the time SSAP16 had been adopted and tried out, the flood of inflation was receding and all enthusiasm for identifying and rectifying SSAP16's flaws had vanished, in the belief that the need was gone.

It is this which makes me doubt whether there will be further progress in adopting any price-amended form of accounting without another serious bout of inflation or deflation to disarm the opposition. I agree with Professor Walker that the deprival value concept is relevant, whatever the level of inflation.

However, I am less happy with his wish to follow the US in adopting two levels of disclosure: the published accounts and the 10-k disclosures to the SEC. As he is probably aware, the SEC has followed FASB and largely withdrawn its mandatory disclosure requirements in respect of price change – again no doubt influenced by the fall in inflation and the lack therefore of e perceived need for such disclosure.

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FINANCIAL TIMES
Monday January 11 1988

Janet Bush on Wall Street

Anatomy of a market in turmoil

LAST WEEK was an educative one. It was also shot through with irony. On Thursday, the Dow Jones industrial average closed at its highest level since Friday, October 16, the nerve-wracking day which, according to the Brady Commission report, made a bout of heavy selling inevitable the following Monday because of the programmed sell orders stacked up to be executed.

Release of the report by the Presidential task force on October's crash coincided with Friday's close, which saw the Dow record its third largest points fall ever.

By 4pm, most people knew what was in the report, the powerful lobbies of the financial community had already scoffed at it, the White House had retreated from being identified too closely with its conclusions and Mr Nicholas Brady himself spent his Friday afternoon briefing denying his recommendations were radical. And the Government in Washington was closed down by a snow storm.

Just as everybody seemed agreed that the last thing anyone wanted was radical change in the securities industry, the market collapsed. Some estimates suggested that as much as 100 points of Friday's 140 point decline could be attributed to programme trading, which takes advantage of arbitrage opportunities between the futures and the cash market.

Friday's stampede out of stocks did not only focus attention on the serious analysis in the Brady report about the dynamic and potentially disastrous interplay between stock index futures and actual stocks. It also knocked on the head a growing complacency among participants in the equity market.

The cheerful mood with which the New Year started and the instant and substantially positive reaction to central bank intervention to support the dollar early last week, had always looked like hubris. Some on Wall Street had watched the Dow rising in leaps and bounds with a palpable sense of dismay. It had looked too frothy.

It is the kind of thing the Brady Commission is deeply concerned about. It concludes that trading on October 19 was dominated by surprisingly few institutions (not surprising to many in the industry), many of them selling according to formulaic price-insensitive portfolio insurance strategies. The power of programme trades, executed in very large size, is well-known in the market and the expectation of programmes being triggered leads to defensive selling by other investors, accelerating the process.

The Brady report is a fascinating and detailed historical review of October's events. It argues there was a massive overhang of unexecuted portfolio insurance sell programmes by the close on October 16. It cites the example of one client who had followed exactly the instructions of his adviser from Wednesday to Friday that week. He was then told at the weekend that, based on the close on October 16, the client should sell 70 per cent of his remaining equities to "conform to the parameters of the insurance model."

There will be many a nervous investor as the market opens today, looking to see whether Friday's 140-point drop left a similar overhang of sell programmes.

It seemed on Friday that the Brady Commission's report was not destined to be a tremendous success. There seem to be two reasons. One is that its recommendations are far-reaching but not very specific – perhaps inevitable in the time it was given to complete the study. This means they are not easy to criticise but, at the same time, may not be taken seriously.

Brady suggested low margin requirements in the futures market should be raised to nearer those in the stock market but that did not mean there should be equal requirements in both markets. Brady suggests margins should "reflect the different structure of the two related market segments." The placatory tone of statements, in response to the report, from the Chicago Board of Trade and the Mercantile Exchange suggest that this is so wishy-washy that it need not worry the futures industry unduly.

The second reason for the report's probable lack of impact is that the task force does not seem to have worked out its politics. Its suggestion (tentative as it was) that price limits and trading halts should be formulated was treated with enormous distaste by free-marketeers - everybody who is anybody, including the President.

Its suggestion that the US Federal Reserve Board should be given an overall supervisory role is likely to annoy everybody. The last thing the Securities and Exchange Commission and the Commodity Futures Trading Commission want is to be bossed around by the Fed. And, it seems, that is the last thing the Fed wants too.

Soviet reforms help Prague's tragic hero

MR ALEXANDER DUBCEK, the tragic hero of Czechoslovakia's "Prague Spring", emerged yesterday as a new beneficiary of Soviet openness, **writes John Wyles in Rome**. He was able, in an unprecedented newspaper interview, to characterise the Gorbachev experiments in the Soviet Union as closely related to his own abortive liberalisations of 20 years ago.

In a notable journalistic coup, L'Unita, the Italian Communist daily, yesterday published about 18,000 words of the first interview given by Mr Dubcek since the Soviet Army quashed his reformist government in Czechoslovakia in August 1968.

L'Unita journalists submitted their questions in writing last autumn and received a long manuscript, which reads in parts like a manifesto, from Mr Dubcek's home in Bratislava in November. They then had a brief open-air encounter on December 19 in Prague's Wenceslas Square with the 66-year-old former Czech Communist Party first secretary.

Mr Dubcek: Still a prisoner.

Now in retirement after spending much of his internal exile as an ordinary worker in the state forestry corps, Mr Dubcek looks back without bitterness on the events of 1968 and finds little to reproach himself for. His belief in the necessity of the reforms essayed 20 years ago is apparently unshaken. He says his principle concern now is that "political honour" should be restored not only to himself but also to others who suffered from their involvement in the Prague liberalisations.

Mr Milos Jakes, the new Czech leader, is due to visit Moscow today for talks with Mr Mikhail Gorbachev, the Soviet leader, at which forthcoming economic reforms in Czechoslovakia are likely to be discussed. After the Soviet invasion in 1968, Mr Jakes was responsible for leading the purge of Dubcek supporters from the Communist Party.

Mr Dubcek is clearly excited by Mr Gorbachev's *perestroika*, implying that the past 20 years have been wasted not only in Czechoslovakia but also throughout the Soviet system. He criticises the Czech authorities for dealing "more in words than facts" but says that the Soviet leader's visit to Prague last spring has given inspiration to a more "concrete approach" to restructuring in his country.

He claims a number of close resemblances between the Gorbachev reforms and his government's programme of 20 years ago.

Asked if the Soviet intervention of August 1968 was avoidable, Mr Dubcek is sure there was nothing the Cechs could have done to stop it. But he adds: "Frankly, I can say that if the Soviet Communist Party had the leadership then which it has today, the intervention would have been unthinkable."

While making it clear that his reason for agreeing to the interview was the refusal of the Czech authorities to alter the official judgement that the Dubcek era was "counter-revolutionary," Mr Dubcek revealed that he was enjoying some small benefits of *glasnost*. He said that surveillance by his "guardian angels" appeared to have ceased since the Gorbachev visit but, as a whole, his recent life had been that of a "prisoner with controlled movement in a limited area."

Robert Thomson in Peking profiles a bishop unbowed by penance or communism

Chinese Catholic keeps the faith

AFTER 30 YEARS in prison, "labour through labour" and a tough re-education programme designed to change his counter-revolutionary Catholic ways, the Rev Ignatius Kung, former Bishop of Shanghai, is unrepentant.

His release is seen as a gesture towards the Vatican by the Chinese authorities following a recent visit by Cardinal Jaime Sin of the Philippines but the Chinese deny there is any connection.

The bishop, at 87 a symbol of Catholic resistance to communist rule, refuses to renounce the Pope, whom the party has seen as a threat to its rule. He said: "If I don't believe in the Pope, then I am not a Catholic. I am loyal to the Pope."

Bishop Kung, in his first interview since his imprisonment in 1955, said he would still not work within the Chinese Patriotic Catholic Association, which the party approves of and encourages but the Vatican does not recognise.

"I have nothing to do with this association," said the bishop, who became a free man last week when the Shanghai Higher People's Court released him from parole conditions in force since he left prison in 1985.

Walking with the aid of a stick, and wearing a simple blue tunic, black cloth shoes, and a small black hat preferred by older Chinese, the elderly bishop was alert and good-humoured. However, he clearly did not want to cause problems for his fellow priests, and so kept the interview brief. He was reluctant to be drawn on why or why the party has now given him freedom.

"It is because I am not against the government. I am not against the social order," he said. In the early 1950s, he had urged young Roman Catholics not to fight in the Korean War or join the party-run Young Pioneers, and refused to support the land reform programme or deny the Pope's authority. In 1955, five years after his appointment by the Vatican, he was found guilty of treason and labelled a counter-revolutionary.

His release is one of several signs that Peking wants closer ties with the Vatican, which still recognises Taiwan as China and has no authority on the mainland, other than through a few priests, who are faithful to its decrees. Several of those priests are still in prison, while others are reluctant to make public their allegiance.

During his visit, Cardinal Sin raised the case of Bishop Kung and other clergy still in custody, and diplomats believe the timing of Bishop Kung's absolution from his crimes against communism was influenced by the cardinal's advocacy.

Father Wang Zhuhua, 66, also Shanghai-based, was apparently released several weeks ago after 31 years' imprisonment, most of them in a labour camp in the hostile far west. He is said to be partially blind and very frail.

Bishop Kung now lives with 43 state-approved priests in a residence adjoining Shanghai Cathedral. He rises each morning around five and shortly after says a private Mass in Latin at the Good Shepherd Chapel in the compound. It is unlikely that the Government will allow him to say Mass in public.

"It is more convenient for me to say Mass in private," the bishop said. His release has been a compromise by the party, as he is refusing to respect the state-run church or question the Pope's authority, but has apparently agreed not to take a public stand against the Government.

During the 1950s, young men inspired by the bishop demanded that they, too, be jailed. No details have been revealed about his years in prison, but it is understood that he spent time in a rural camp designed to "reform criminals through labour" and he would have suffered greatly during the brutal Cultural Revolution (1966-76), when severe beatings and death were the common fate of imprisoned "counter-revolutionaries".

The bishop is supervised by Mr Yuan Shaosheng, a lay official of the Shanghai Patriotic Catholic Association, who said Bishop Kung had broken the first commandment. "The first commandment says that we have to love the motherland. If you don't love the motherland it is a crime against the church."

Walking the party line, Mr Yuan Shaosheng said that relations with the Vatican would be impossible until it recognised that Taiwan was part of the People's Republic of China. He said the break was made in 1955, when the Vatican would not accept a new party-appointed bishop and tried to "coerce our diocese" by appointing its own bishop.

"We did not release Bishop Kung to improve relations with the Vatican. We did it according to legal procedure. We hope that the Vatican changes its attitude so that the light of God will shine on the Vatican," Mr Yuan Shaosheng said.

However, it is clear that both China and the Vatican are moving towards improved relations, and Cardinal Sin has indicated that the Pope is well-informed about China and interested in a visit.

Airbus sales to East could anger US

BY DAVID MARSH IN BONN

DISAGREEMENT between Bonn and Washington over controlling transfer of technology to the East bloc may come to the surface as a result of West German efforts to win orders for Airbus airliners in Eastern Europe.

Government officials in Bonn say that Airbus Industrie, the four-nation European airliner consortium, has been in contact with both Hungary and East Germany on possible leasing or sale of wide-body Airbuses. Poland is also said to have expressed interest.

The US and West Germany agree that East bloc orders would have to be vetted by Cocom, the 16-nation Paris organisation which controls flows of sensitive technologies from the West to the East bloc. This is on the grounds that important components of the airliners, in particular their engines and electronic systems, contain technology useful for military purposes.

No East bloc Airbus deal seems likely to be concluded in the near future, partly because of difficulties over financing. But any prospective Airbus contract with an Eastern European country could prove a test case for differing opinions between the US and West Germany on the scope and direction of technology transfer controls.

The US has voiced displeasure to the Bonn Government in recent months that West Germany is not devoting sufficient resources to checking high-technology trade with the East bloc. Washington also thinks that the Federal Republic should toughen penalties for infringements.

The US believes that Bonn backs the fundamental principles of Cocom. But there is suspicion that West Germany is attempting to tone down the Cocom rules more quickly than warranted by the East-West political thaw.

Mr Hans-Dietrich Genscher, the Bonn Foreign Minister, has issued a strong call to "adapt" Cocom rules to the new mood in East-West relations. Mr Genscher's bid, signalled in interviews during the past week, has the strong backing of West German industry.

West German keenness to profit from improved business possibilities with the East bloc has been highlighted by the visit of Mr Franz Josef Strauss, the Bavarian Prime Minister, to Moscow at the end of last month. Mr Strauss, who is also chairman of the Airbus Industrie supervisory board, spoke optimistically on his return of new trade opportunities with the East and said that Cocom rules were becoming less of a hindrance in view of political *rapprochement*.

The US is asking a number of European countries to tighten up Cocom enforcement. It is offering in return liberalisation of some controls affecting lower-technology trade.

Israel's private war

Continued from Page 1

rying new developments for Israel in the current wave of disturbances.

"The Islamic jihad was not a dominant factor before the events," said Mr Mohammed Khass, a Gaza journalist and former local official, speaking in his seafront home. "But when the troubles began, it started playing a leading role."

Despite Israeli predictions that the unrest would be short-lived, Palestinian residents of the territories said people were determined to keep up the pressure.

"It's unbelievable. I have never seen people so willing to confront the Israelis. What youngsters are doing is really frightening," said one resident.

Organisers of the Gaza demonstrations appear to be trying to promote a "siege from within." Islamic Jihad, an extreme fundamentalist group, stepped up its campaign at the weekend to prevent Gazans travelling to work in Israel, where many industries rely on labour from the territories.

It is unclear how long such a boycott could be sustained given Gaza's economic dependence on Israel. But Gazans say that people are more prepared than ever to make sacrifices.

In Israel, despite international criticism of the handling of the disturbances, officials are insisting that tough measures are a necessary priority to quell the demonstrations.

During a Cabinet meeting yesterday, Mr Yitzhak Rabin, the Israeli Defence Minister, is reported to have acknowledged that the disturbances were part of a long-term problem and their intensity had taken the Government by surprise.

Bush-Dole class battle

Continued from Page 1

that he has high name recognition but a fuzzy image.

The inevitable problem of being number two in the White House partly explains this. But it is aggravated by uncertainty in the public mind not only about what the Vice-President stands for but, in an odd way, also where he is from. Is he the tough self-made Texan he says he is? Or is he, as Mr Dole implies with-out mentioning his name, the upper-class New England "preppie" who went through some of the best private education America can offer before finishing school at Yale.

In the televised debates between the candidates such as the ona in Des Moines on Friday night the Vice-President never misses a chance to present himself as "fightin' George Bush", a man who can hit back hard at rhetorical challengers, especially those who keep asking him what he was doing during the Iran-contra affair.

So Senator Dole's approach, redolent with real resentment in his voice when he addresses the theme, is to suggest that the Vice-President was born with a silver spoon in his mouth, cannot understand the real-life problems of ordinary Americans and, by implication, does not have the regional roots and values which Americans like their Presidents to have.

So far this strategy does not seem to be working badly here either. Some of the latest polls, including one from CBS-New York Times published last week, ebow that, although Mr Bush remains the front runner nationally, Senator Dole has built up an impressive lead here in Iowa.

World Weather

AT&T's European plans

Continued from Page 1

other leading equipment manufacturers about closer collaboration.

A partnership joining AT&T and the Italians would probably be based initially on transfer of technology and managerial expertise from the American company aimed at solving the poor efficiency in Italy's telephone system.

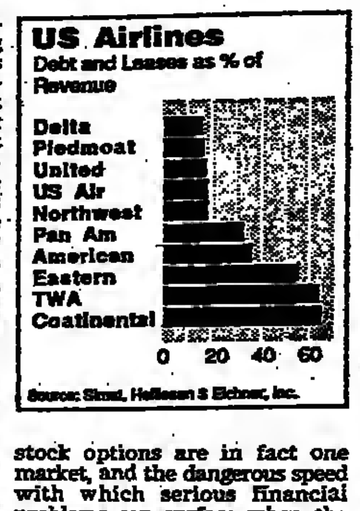
Depending on the scope of the agreement, Italtel might hope to improve its position in transmission, where it is relatively weak at present, as well as gain access to the US for its products. For its part, AT&T would gain access to the large Italian market, as well as to those developing countries where Italtel is starting to export.

The talks between AT&T and the Italians have re-lit the heated debate about the future of Italy's telecommunications industry. A proposed joint venture linking Italtel and Telettra, a Fiat subsidiary, was aborted less than three months ago in considerable acrimony. Agreement with AT&T would strengthen the hand of Italtel in any future dealings with Telettra.

THE LEX COLUMN

Wall Street tries another trick

Anyone who thought that a measure of calmness was returning to the world's financial markets will have been suitably chastened by the events of the last week which saw the Tokyo stock market enjoy its second biggest one-day gain and Wall Street suffer its third worst daily fall. The degree of normality which was beginning to creep back into the financial markets has been badly jolted and the more superstitious investors may be wondering whether the 13th week after the Crash of '87 will be marked by a repeat performance of Black Monday.



While it would be very surprising if the Tokyo and London stock markets were not affected by last Friday's sharp drop on Wall Street, it is most unlikely that they will be anywhere near as badly damaged this time round. The 6.8 per cent drop in the Dow Jones industrial average on Friday follows a 16 per cent rise in Wall Street over the last month. A correction was overdue in New York, and remains overdue in London, which has risen by more than 12 per cent since early December.

However, there are a number of reasons for believing that any sell-off will be far less extreme than took place three months ago. Even after their recent rallies, the London and New York markets are 27.4 per cent and 29.9 per cent off their respective peaks and no longer look horribly overvalued. Global institutional liquidity is in a far healthier state than it was in the autumn, the cash calls on the market have slowed to a trickle, and those foreign investors whose rush for the exit in October exaggerated the falls in the Far Eastern and European stock markets have long since retreated to the safety of their domestic stock markets.

That said, the events of the past week are a worrying reminder that the problems which have been haunting the world's financial markets for the past few months have not gone away. Last week's concerted central bank intervention has stabilised the dollar temporarily. But it will not be sufficient if next Friday's US trade figures for November turn out to be terrible and the dollar resumes its free-fall. Talk of the 1989 US budget deficit being far higher than expected and the possibility of double-digit long-term government bond yields in both the US and the UK are not conducive to strong rallies in equity prices.

In addition, last Friday's publication of the Brady report – the first official US post-mortem on the Crash of '87 – underlines the extent to which the markets for stocks, stock index futures and stock options are in fact one market, and the dangerous speed with which serious financial problems can surface when the various linkages break down. The behaviour of the financial markets over the next few days will give the first clues as to whether the lessons of last October have been learnt, or whether the authorities will be forced to undertake sweeping reforms of the way securities are traded and regulated in order to prevent a further erosion of confidence in the world's financial system.

US airlines

With British Caledonian safely tucked under its wing, British Airways will presumably stop peddling scare stories about the invasion of Europe's skies by the giant US airlines. BA's argument that, unmerged, it could not compete with America's deregulated carriers had in any case begun to look a bit thin: corporate power, after all, is a matter of corporate profit and, viewed from the bottom line, the US mega-carrier appears more bogeyman than bully.

True, the immediate picture is the brightest in years: airline stocks fell in the market crash by half as much again as the S&P 500 average but, thanks to Opec, the holiday season and the surprisingly muted impact of the crash on economic activity, they have already begun the long climb back. Having had a relatively easy ride from the terrorists and the unions, the major airlines should show record profits for 1987: aggregate net profits of at least $800m and probably closer to $900m seem likely, after a $180m net loss in 1986.

The current year, too, should bring lower fuel prices and strong traffic growth: domestic business travel seems largely to be ignoring Black Monday, while the dollar makes America the cheapest First World bargain around for foreign holiday makers. Labour costs may begin to creep up as new pilots on under $40,000 a year and new flight attendants on a fraction of that refuse further concessions. But with the vicious price wars of the past few years giving way to more gentlemanly skirmishes, all the signs are profits in 1988 will top last year's.

So, after nine years of blood-letting, pricing battles and hectic corporate realignment, is the US airline industry finally on the edge of a new dawn? Hardly.

Corporate convulsions are still in prospect at the three most anaemic carriers: Pan Am (which plans to sack its chief executive in exchange for agreement from its unions on swingeing wage cuts); TWA (which on the basis of annual profits less losses has contrived to make no money at all in 52 years of existence); and Texas Air (which has been pieced together in an overambitious fashion from ailing bits like Continental and Eastern).

But overall the shake-out is nearing completion and the industry settling down to something like its mature deregulated form. That form looks only narrowly profitable; even if 1987 profits do hit record levels, $900m would represent a meagre 1.9 per cent net margin on revenues of $46bn. This is partly due in turn to the industry's heavy load of debt. If cash flow should falter in this most fragile of industries, not only those carriers with debt/equity ratios in or near double digits (Pan Am, 11:1; TWA and Texas Air, 9:1) could prove vulnerable.

In any case, strong revenues alone will not save Pan Am and TWA. The former, with $880m in long term debt, needs a capital injection from a strong partner, but Braniff's Pritzker family has pulled out of merger talks and another suitor has yet to come forward. As for TWA, Carl Icahn seems to be spending more time on his chess game over Texaco than on sorting out the airline's problems.

When the final episodes of merger-mania are complete the betting is on perhaps six big players winning through – American, Delta, Northwest, United, US Air and perhaps a slimmed down Texas Air. Deregulation will have left all of them with lower costs than their counterparts in Europe, but it will also have left them weakened by price wars and takeover-related debt. The Europeans can at any case still cover their costs with the kind of cartel-assisted prices the Americans can only dream of. Maybe British Airways could turn out the bully after all.

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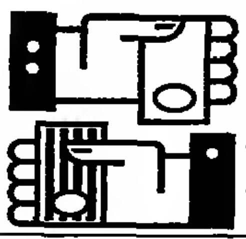
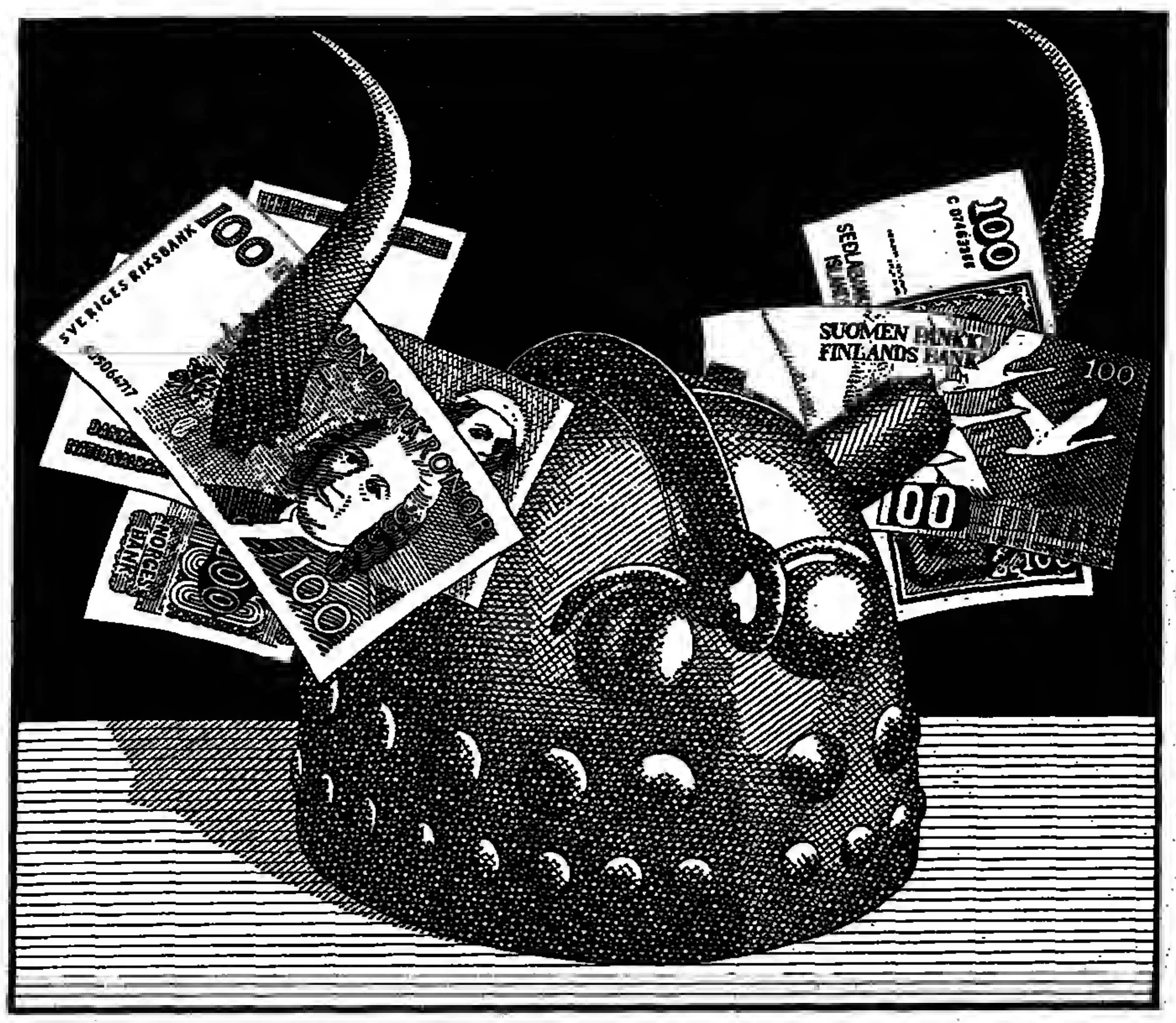
SECTION III

FINANCIAL TIMES SURVEY



Banking deregulation has led to reduced exchange controls, and increased competition, writes **Michael Field.** Bankers now favour closer links with the European Community, which would require the removal of what financial barriers remain between the region and the rest of the world.



The Nordic Countries

BANKING AND FINANCE

CONTENTS

□ *Illustration by Robin Macfarlan*

Looking at the market

IN A major speech last month Peter Wallenberg, vice-chairman of the Skandinavisko Enskilda Bank and chairman of the Swedish Industrial Federation, onnounced that the time had come for Sweden to join the European Community.

It is thought in Stockholm and the other Scandinavian capitals that his speech was made after consultations not only with leaders of the Swedish banking and industrial communities but also with some members of the Government.

The official Government reaction to Wallenberg's speech was hostile, but what he said has certainly focused Scandinavians' attention on their position *vis-a-vis* the Community. Denmark has been a member since 1973, and now, in o financial and trading sense, looks far more to the Community than it does to its northern neighbours.

The possibility of other Scandinavian countries following Denmark affects not only the expansion of the industrial companies but also the demolition of barriers to capital flows between them and the rest of the world and the integration of their banks into the international markets.

Until 1985 the Scandinavian banking community was unusually tightly regulated in both its internal and external business. In 1985 and 1986 the authorities released the banks from many of the domestic controls, with the result that they have become more competitive, more concerned with profits than with balance sheet size, and more prepared to diversify into each other's established reolms of business.

In the last 12 months domestic liberalisation has been followed by partiol elimination of exchange controls – a process which will be taken further in the next two years.

If any more of the Scandinavian countries join the EC, or develop a close association with it without joining, the barriers to financial flows between them and the rest of the world will have to be removed completely.

In Sweden, Finland and Norway, the subject of EC relations has been a topic of growing debate for several years, and seems likely to be a major question in 1988 – particularly if Sweden and Finland, which have been faring much better economically than Denmark and Norway, move into recession during the year.

In Sweden there is no question but that the bankers and industrialists would like to join the EC. They feel that, if it stays outside, Sweden will not get the favourable treatment from other major economic powers that it would get if it dealt with them as part of a group with a dozen or more other countries.

The main obstacle in the case of Sweden is its tradition of neutrality, a cornerstone of Swedish foreign policy for nearly two centuries and a principle enjoying support at all levels throughout Swedish society. Even without this, Sweden's attachment to its comprehensive social security system presents another problem. The politicians from the Socialist party, in power for most of the last 50 years, believe that, as the Community develops, governments' tax and spending policies will be brought increasingly within the orbit of Brussels in the context of the creation of an "internal market".

Similar debates are taking place in Norway and Finland.

In Norway, it now seems that a majority of the population would be in favour of joining the Community. The country is a member of Nato, so does not have the political qualms that its neighbours have. Strong lobbying against entry by the country's powerful agricultural and fisheries interests resulted in a "no" vote in the 1972 referendum. The subsequent discovery of oil appeared to vindicate this stand, but, with the collapse in the oil price, Norway's economic vulnerability has again been highlighted.

In Finland, the Central Association of Industries, with the support of the banks, and to some extent the politicians, echoed Wallenberg when it said recently that the country could not afford to stay out of the EC – though it is assumed that the alternative it envisaged was some form of close association *rather than full* membership.

There is a consensus in Finland that the country could not join the EC, because of its close relations with its near neighbour the Soviet Union and the pivotal position it occupies in delicately balanced east-west relations. Its post-war treaties with the USSR preclude its involvement in the type of political and defence integration that is envisaged for the European Community under the Treaty of Rome.

For all the discussions, it is unlikely that any of the countries will apply to join the EEC soon, not least because the Community for the moment is not very interested in new applicants. This is a point often overlooked in Scandinavia.

What is likely is that the various Scandinavian governments *will seek forms of association* that will give them as many as possible of the benefits of membership of the EC with the minimum loss of sovereignty.

The type of agreement the Scandinavian governments might like would involve their having access to Community research programmes and high technology development effort in space, for example – and their companies being treated as Community companies in governments' purchasing (the Scandinavians already have tariff-free access to the EC, and Community standards in industry and other areas they adopt on their own accord).

In return for their privileges, the Scandinavians would pay money into some of the EC's special funds, and perhaps contribute to Community aid programmes under the Lome Agreement.

Difficulties might occur in the *harmonisation* of agricultural policies; Scandinavion agriculture is heavily subsidised to compensate for the region's severe climate. Free movement of labour would also be a sensitive issue; the Finns in particular follow o very restrictive policy on immigration.

The harmonisation of financial regulations would not be difficult. On December 9, the Swedish Government said it was willing to remove all barriers to capital movement between Sweden and the EC, which in effect would mean between Sweden and the rest of the world. The Government had *taken an important step in this* direction last October, when it started to make foreign currency available for *private* portfolio investment overseas. Similar changes have been under way in Finland.

The principle exchange control barrier that remains in Sweden, Finland and Norway is the *prohibition* on foreigners buying local bonds and money market securities. There are also restrictions on the amounts of stock *that foreigners may buy in Scandinavian* companies without asking permission of the authorities.

In internal banking matters, deregulation started earlier, and in Sweden is almost complete. In the last three years the Swedish authorities have dismantled controls on the volume of banks' lending and interest rates. In 1986 they allowed 12 foreign banks into the kingdom; all have found the competition tough and one, Paribas, has closed its branch.

Earlier, the authorities had allowed the issue of certificates of deposit and introduced market rate treasury bills, which led to the creation of the money market.

In Finland, foreign banks were allowed to open in the early 1980s, *though only four arrived*, and one of them, Chase Manhattan, recently left. Its licence was taken by PK Banken of Sweden.

The major reform to date came in August 1986 when the banks' average lending rate was decontrolled. The cost of banks' funds, though, is still regulated by the long-standing *law that exempts* depositors' income from tax if two or more banks are paying the same rates. This has led to uniform rates among all the banks in Finland.

It has recently been proposed that these regulations be modified io 1989, *to allow the banks* to compete in their *rates*, without depositors' income losing its *tax-free status*. It is taken for granted in banking circles that the proposal will come into force. The major result of deregulation, as was intended, has been increased competition.

In Sweden one notices that the banks' results *no longer move* parallel to one onother in response to the policies of the Riksbank (the central bank) and the Finance Ministry. Now, how much profit o bank mokes is determined by its own abilities, and the discrepancies in the banks' results are striking.

Likewise, in *Finland* the deregulation of bank lending rates, and the permission given for companies to borrow abroad, have led to o big increase in liquidity in the market and o new atmosphere of competition.

The current enthusiasm for deregulation and the free play of market forces may wane loter this year or in 1989 if the Scandinavian economies move into recession.

The Norwegian Government acted two years ago to curb the growth in consumer spending that stemmed from the country's oil boom, and the Danes have been forced by their persistent payments deficit to adopt their own deflationary measures. In Sweden and Finland the boom of the last three years has clearly *run its course; in both countries* bankers and industrial managers are talking of overheating being followed by recession.

In all countries these problems are being made worse by the collapse of the stock markets since last October. In Stockholm, which has the region's biggest market, the initial fall was not big by international standards, but the slide has continued steadily since. Several Swedish and Norwegian companies have *postponed or cancelled share* issues.

The prediction is that this year Scandinavian companies will be investing less than in 1986 and 1987. All the banks are forecasting lower national growth rates. Since October, the Svenska Handelsbank, one of the most pessimistic, has revised its estimate for Swedish econonomic growth this year from an already low 1.5 per cent to 0.8 per cent.

Michael Field on the dismantling of exchange controls

Shedding a disadvantage

IN THE last two years the governments of Sweden, Finland and Iceland have done much to dismantle the comprehensive exchange controls that they have imposed on themselves since the second world war, or earlier.

The original purpose of the controls was structural. The governments saw their economies as being small and weak, and they wanted to protect their assets from foreigners while conserving domestic capital for domestic purposes.

In recent years these objectives have become irrelevant, and in Sweden especially the economy has suffered from a surplus of domestic capital. This has caused a consumer boom and, before October, a particularly steep rise in share prices on the Stockholm stock exchange.

At the same time the deregulation and globalisation of the world's financial markets, coupled with the removal of barriers to the flow of capital elsewhere in the industrialised world, has increased the political pressure on the Scandinavian governments to demolish exchange controls. In effect, in the 1980s exchange controls have become both economically and politically disadvantageous.

The reasons why the governments have not moved further and faster on this issue is that they are afraid of causing destabilising capital flows, particularly if they open their domestic money markets to foreign capital. And the Swedish authorities are believed to fear that a sudden freeing of onward investment would lead to the movement abroad of a large part of the SKr20-30bn of liquid funds held by Swedish insurance funds.

Governments want to proceed slowly so that they can assess the impact of each exchange deregulation stage by stage, and avoid having to take steps backwards. They may also experience a lingering socialist instinct to delay giving up control of the supply and price of domestic capital.

The two exceptions to the general pattern are Norway, which liberalised its exchange regime in the early 1980s but has recently been forced to reimpose some controls, and Denmark, which has removed almost all its controls and is now close to enjoying a completely free exchange regime. Denmark is an exception in that it has been part of the European Community since 1972.

The main recent exchange control changes - and expected changes - in the Scandinavian countries are listed below.

THE ECONOMIES

SWEDEN

	1983	1984	1985	1986	est. 1987	est. 1988
Real GDP growth (%)	2.4	4.0	2.2	1.3	2.6	1.7
Inflation (%)	8.9	8.0	7.4	4.2	4.0	6.5
Current account balance (US$bn)	-923	366	-1150	823	0.0	-1.0
Exchange rate: Kronor per US$ (period average)	7.6671	8.2718	8.6039	7.1236	6.32	6.05

FINLAND

	1983	1984	1985	1986	est. 1987	est. 1988
Real GDP growth (%)	2.9	3.0	2.5	2.0	2.8	2.5
Inflation (%)	8.4	7.1	5.9	3.6	3.7	5.5
Current account balance (US$bn)	-935	5	-677	-808	-1500	-1300
Exchange rate: Markka per US$ (period average)	5.5701	6.0100	6.1979	5.0695	4.3200	4.1800

DENMARK

	1983	1984	1985	1986	est. 1987	est. 1988
Real GDP growth (%)	2.1	3.5	2.72	2.5	-0.2	-0.8
Inflation (%)	6.9	6.3	4.74	3.72	4.0	4.8
Current account balance (US$bn)	-1178	-1637	-2728	-4321	-2200	-1800
Exchange rate: Kroner per US$ (period average)	9.1450	10.3566	10.5964	8.0910	6.84	6.82

NORWAY

	1983	1984	1985	1986	est. 1987	est. 1988
Real GDP growth (%)	4.6	5.7	5.4	4.4	1.0	1.7
Inflation (%)	8.4	6.3	5.7	7.2	9.0	8.0
Current account balance (US$bn)	1965	2976	2925	-4500	-4500	-2000
Exchange rate: Kroner per US$ (period average)	7.2964	8.1615	8.5972	7.3947	6.8200	6.5000

NatWest Market Intelligence

SWEDEN

Purchase of foreign securities: Until the beginning of this year, Swedes were greatly restricted in the purchase of financial instruments on foreign markets. What purchases they made had to be done through a pool of switch currency of limited size; and, to buy this currency, investors paid a premium.

In a major development in October last year, the authorities announced that SKr3bn would be made available for new overseas portfolio investment in 1988; and it is thought by bankers that similar allocations of new money will be made in 1989 and subsequent years. This will steadily eliminate the premium paid for investment currency, and within a few years it is assumed that it will lead to complete freedom for outward portfolio investment.

Purchase of foreign real estate: In late 1986 the amount which Swedes could invest in real estate abroad was raised from SKr250,000 to SKr800,000. To make an investment one has to obtain permission from the authorities, but it is granted easily.

Finance of corporate expansion abroad: In 1986 the central bank (the Riksbank) abolished the rule by which Swedish companies making direct investments abroad had to finance such investments by taking foreign currency loans over periods of at least five years. Now companies can use income generated in Sweden to finance expansion. Profits made from foreign operations must still be repatriated, though the change in financing regulations means that this rule has now lost much of its relevance.

Restrictions on foreigners investing in Sweden: Foreigners are not allowed to buy short- or long-term Swedish fixed interest securities - whether issued by the Government or by companies. There is no indication that this restriction is about to be removed.

Foreign investment in the equity of Swedish industrial companies is allowed, but the amounts are partially and indirectly restricted. Foreigners may only buy "free" shares, which sometimes do not carry voting rights and normally do not constitute more than 40 per cent of a company's equity.

If a foreigner wants to buy more than 20 per cent of a company's total equity, or if the company wants to increase the proportion of its equity that is free, permission must be asked of the authorities. Normally permission is obtained easily.

So far foreigners have been totally prohibited from buying shares in Swedish banks, stockbrokers and finance companies - though foreign banks were allowed to open in Stockholm in 1986. The Credit Committee, a body which has been working since 1983 and is about to present its report to the Government, is going to propose that this restriction be lifted, though the proportion of free shares allowed to the banks will be less than the 40 per cent normally allowed to industrial companies.

FINLAND

Purchase of foreign securities: Until early 1986 Finns were not allowed to make portfolio investments abroad. Then a limit of FM10,000 was placed on their purchases, raised to FM50,000 (about $10,000) in May 1987. This reform has not led to large capital outflows and it is thought that the ceiling will be raised further in the future. This regulation applies both to individuals and companies, though if a company's investments can be classified as "direct", rather than "portfolio", no restriction is placed upon it.

Foreign currency borrowing by Finnish companies: In August 1986 Finnish shipping and manufacturing companies were authorised to take foreign loans (which have recently been cheaper than Finnmark loans), provided they were for terms of at least five years. Late last year this concession was extended to Finnish companies of all types.

Companies may also take short-term import or export finance from abroad, but other types of short-term loans and all foreign medium-term loans (of one to five years) are prohibited. The reason is that it is thought that short- and medium-term loan transactions are liable to lead to volatile capital flows, particularly if large volumes of medium-term borrowings were to be repaid early.

Finnish banks may borrow as much as they like abroad, though they have to observe the above regulations when they lend in foreign currencies to Finnish companies. In 1986 a ban was imposed on the banks, making domestic foreign currency loans that would be financed by Finnish companies' foreign currency earnings deposited with them.

Restrictions on foreigners investing in Finland: Foreigners are not allowed to invest in Finnmark bonds or other money market instruments. They may buy "free" shares in Finnish companies. The regulations affecting these shares are much the same as those that apply in Sweden, though it might be more difficult than in Sweden for a company to increase the proportion of its free shares relative to restricted shares, and for a foreign buyer to expand its purchase of free shares above the authorised limit. Foreign investments in Finnish banks and forest industries companies are completely prohibited.

NORWAY

Purchase of investments abroad: For the last two years, both corporate and private Norwegian investors have been free to buy shares on major foreign stock exchanges, though their purchases must be made through Norwegian brokers. They may also buy bonds, up to the limits of NKr1m for individuals and NKr5m for corporations.

In the past 12 months regulations have been introduced to prohibit purchase of shares in money market, or mainly money market, funds registered in foreign tax havens. All of these regulations are supervised by a licensing system.

Direct foreign investments by Norwegian companies normally are licensed, but individuals are not usually given permission to establish companies abroad.

Restrictions on foreigners investing in Norway: Foreigners have not been allowed to invest in Norwegian bonds since November 1984. They are allowed to purchase equity shares, though the size of the investments they can accumulate in Norwegian companies is limited by the same types of rules that apply in Sweden and Finland. Direct investment by foreigners in Norway is subject to licenses, which are liberally granted.

Foreign currency borrowing by Norwegian companies and individuals: Foreign currency borrowing is not permitted for personal use by individuals and companies from Norwegian banks or banks abroad for the purpose of trade finance or investment. Long-term borrowing is subject to quotas of NKr2.5bn in 1986, NKr7.5bn (1987) and NKr10bn (1988).

At the end of 1986, after a period during which the krone had been under pressure, restrictions were placed on the Norwegian krone money market. It was ruled that companies could do forward business only on current transactions, not on long-term loans.

DENMARK

Purchase of foreign securities: Danes may buy any foreign securities they like in any quantities, though for tax purposes they must register their dealings with Danish banks.

Restrictions on foreigners investing in Denmark: Foreigners can invest in all types of Danish securities, except fixed interest paper with maturities of less than two years. This restriction should be eliminated by the time the European Community internal market is created in 1992.

Private dealings in foreign currencies: Danish citizens may only buy foreign currencies forward if their purpose is to back a commercial transaction. Individuals may not borrow in foreign currencies and may not have foreign currency current account - though Danish companies may have foreign currency current accounts if they will be using the foreign exchange for an external purpose within 60 days. These restrictions are due to be eliminated by 1992.

ICELAND

Purchase of foreign securities: Since October 1987 Icelanders have been allowed to buy Icelandic securities, issued by government entities and private companies, in foreign markets. They may also buy other "good quality" securities, though in these cases they must first ask the permission of the central bank. It is intended that investors' freedom will be expanded in future.

Also in October, the Government announced that Icelandic companies would be granted wider permission to invest in companies abroad, in order to improve their competitiveness.

Restrictions on foreigners investing in Iceland: Foreigners may already buy Icelandic securities, but the Government does not guarantee the reconvertability of their money. It is expected that a guarantee on this will be given soon. Regulations governing investment by foreign companies in businesses in Iceland have recently been liberalised.

Borrowing abroad by Icelanders: It has recently been made easier for Icelandic companies to borrow directly from foreign banks. Previously they would approach their banks in Iceland, and the banks would take foreign currency loans on their behalf. Leasing companies that have recently been established in Iceland are allowed to obtain their funds from abroad. The present tax on foreign borrowing will be repealed at the end of 1988 - the delay being intended to encourage the postponement of foreign borrowings and to help the Government's anti-inflation policy.

A unified Nordic stock exchange? **Sara Webb** weighs the arguments

Attracting the foreigner

ONE OF the more pressing worries for the Nordic countries is how to survive global stock market developments and tougher international competition.

It has led Mr Bengt Ryden, chief executive of the Stockholm Stock Exchange, to press for closer co-operation between the Nordic exchanges in Stockholm, Copenhagen, Oslo and Helsinki, to the extent of urging a computer link to allow automated share trading across borders.

"It is not realistic to think that we will ever be a significant market place for other, non-Nordic, shares, but the Nordic countries - which account for 1 per cent of share trading in the industrial countries - should make sure that they are the most important market place for their own shares," says Mr Ryden.

His concern is not groundless. During the 1980s, the four exchanges grew rapidly, helped by the stimulus of special savings schemes in the case of Norway and Sweden.

The weekly turnover on the Stockholm market in 1987 exceeded the turnover for the whole of 1979. Foreign investors had significant holdings in the Nordic markets (though, with the bourse crash, the international investors have tended to pull out of the minor markets).

"Foreign investors have played an important role in the boom of the 1980s, and their attitude and participation in the Nordic markets will be decisive for the future," says Mr Ryden.

Foreign ownership in Swedish shares rose from 3 per cent in 1980 to 12 per cent in 1986. But keeping foreigners interested depends on making the Nordic exchanges attractive market places, and in Sweden that has not been the case recently.

The Government doubled the share turnover tax in July 1986, which means that transaction costs in Stockholm are now between three and five times as high as in London and New York where the major Swedish companies are listed.

Estimates of the extent to which trading in Swedish shares has moved abroad suggest 85 per cent of free shares in Asea, Electrolux, Pharmacia, Volvo and Ericsson are traded overseas. Traders complained that prices in Stockholm were increasingly driven by prices in London.

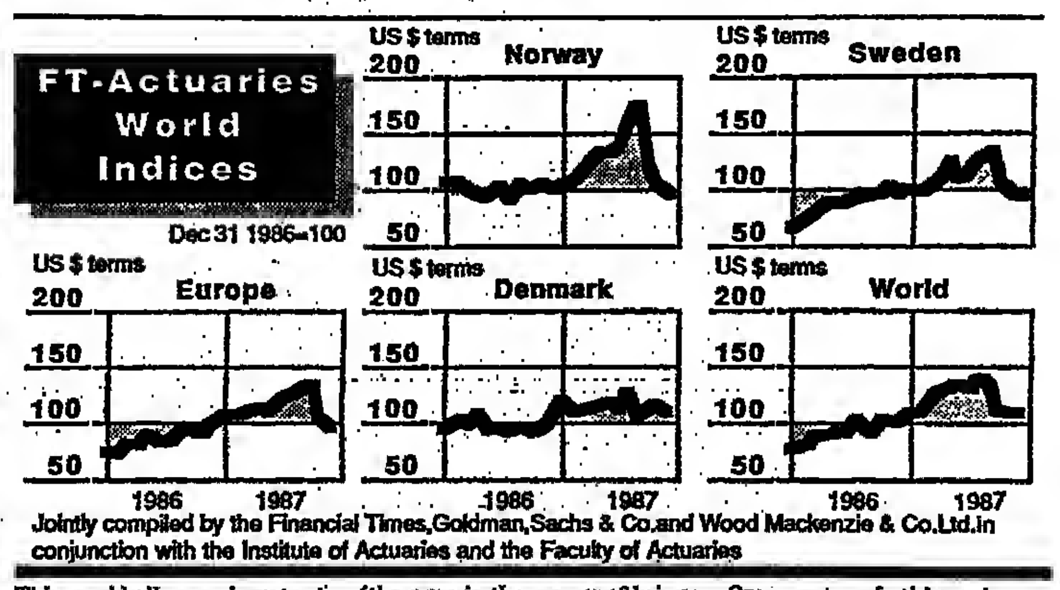
The Stock Exchange Board has already asked the Government to grant foreign investors exemption from transaction costs, so that they will be wooed back to the market. The Norwegian Government decided to introduce a 1 per cent turnover tax on share trading, apparently ignoring the effect such a tax had on its next-door neighbour.

Mr Ryden believes the solution is to have a computer link-up between the Nordic exchanges and much closer economic and financial co-operation between the countries to match their co-operation in trade and services.

Today 643 companies are listed on the Helsinki, Copenhagen, Oslo and Stockholm exchanges, but only 17 of these had a listing on another Nordic exchange; and only 11 listed companies had 10 per cent or more of their shares in another Nordic country.

"When it comes to goods and services, the Nordic neighbours co-operate in an important market, but when it comes to capital supply, the question comes way down the list of priorities," says Mr Ryden. He wants freer movement of capital between the countries.

The idea is that, since all the Nordic exchanges are moving towards the introduction of new technology that will allow automated share trading, they could in theory be linked by computer.



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This would allow an investor in, say, Sweden to buy shares from his desk-top in a Finnish company that was not listed on the Stockholm exchange, and would create a unified Nordic exchange with improved services.

Experience so far suggests that Nordic shares listed on the other Nordic exchanges tend to flow back to their home country.

There are, however, certain obstacles. Regulations concerning, for example, insider trading would need to be harmonised (these are in the process of being tightened in Stockholm, though many feel they are nowhere near tough enough and should be broadened in scope to include fund managers and journalists); and there would have to be standardisation of listing and disclosure requirements.

It would also require the removal of exchange controls, decisions on which country the share transaction has occurred in, and real-time market information between countries.

Opponents of this scheme argue that, apart from Stockholm, the Nordic markets suffer from liquidity problems; and they point to the difficulty some foreign investors had in selling out Finnish shares during the bourse crash. They also fear that a unified Nordic exchange would be dominated by Swedish companies, which currently account for 80 per cent of the combined turnover, leaving the small and medium sized Danish, Finnish and Norwegian companies on the sidelines.

SWEDEN PIONEERED the use of options in the Nordic region, with the launch of its first options market (OM) in 1985 and its second (SOFE) in March 1987.

Though the markets grew rapidly at first, they have not escaped criticism, and Nordic neighbours would do well to learn from Sweden's experiences in this field before pushing ahead with the launch of their own exchanges.

Options markets need regulation and those who use them should be fully aware of the risks involved – not just the players on the floor, but the senior managers in the financial institutions need to be clear about the risks and have control systems in place to stop losses at a previously determined level.

The growth of Sweden's options markets has taken observers by surprise. During 1987, OM's average daily turnover was 30,000 index option contracts, 8,000 stock option contracts and 2,600 interest option contracts. SOFE started off strongly, claiming between 35 and 40 per cent of market share, but this has dwindled to between 5 and 10 per cent recently.

OM was set up by Mr Olaf Stenhammar, a Swedish entrepreneur who started his own swimming pool construction business at the age of 24 in order to finance his studies at university, and who later moved to the US to work as a broker with WE Hutton (which later went bust) and then with Bache.

Stenhammar returned to Sweden in 1975 and started work with the Bonniers publishing and leisure group. He recognised the need for an options market in Sweden, won support from friends in the brokerage Carnegie and Skandinaviska Enskilda Banken, and started the market in June 1985.

OM took off rapidly, though there were complaints at first about the high transaction costs. OM successively brought down the charges, but the door was open for a competitor and SOFE started in March 1987. SOFE's aim was to be a non-profit exchange, offering competition on transaction costs and based on the open outcry system – unlike OM which is computer-based.

SOFE has since lost market share, faced financial difficulties, and is a less popular exchange because players cannot be "anonymous" in the way that the screen allows them to be. "Anonymity is important in a small or medium-sized market," says Stenhammar.

Meanwhile, OM reported profits of SKr151m in 1986 and showed a 33 per cent increase in profits for the first six months of 1987 at SKr99.3m. The criticism of OM is that "it is a private enterprise with a strong profit motive – the only thing they care about is high turnover, to the detriment of the players," according to one trader.

"An exchange is there to serve a community not to make a living based on commissions," he said. "It is difficult to feel that what they are doing is ethically correct."

Olaf Stenhammar: anonymity is important in a small market

Regional options markets

Hints from Sweden

One suggestion is that the options exchange should come under the control of the stock exchange, not only as a way of bringing down costs further, but so that options would come under stock exchange legislation, following a spate of heavy losses among banks, brokers, and other users of the markets.

The first warnings came in January 1987, when it emerged that a junior employee of the Stockholm Municipal Government had lost SKr450m by speculating in futures and options.

That should have been the moment when banks and brokers asked whether the same thing could happen to them. But in the meantime, Goetabanken (Sweden's fourth largest publicly quoted bank) lost SKr300m in index options, which is calculated to halve the bank's 1987 profit, while Svenska Handelsbanken (the third largest commercial bank) lost SKr384m on index options through the illegal trading activities of two employees.

Other brokers and banks neglected to ask for sufficient collateral from clients, and so had to bear the cost of losses themselves. The moral of the story is that senior managers were not aware of the risks involved and did not have adequate controls in place to limit the losses.

"The real responsibility is not with the 25-year-old trader but with the top management in the banks. They must be aware of the risks involved in different exposures. They need to be educated," says Stenhammar.

The two exchanges claim that their regulations are of a sufficiently high standard. But many – including Mr Bengt Ryden, chief executive of the Stock Exchange – would like to see new legislation to cover the options markets.

The Bank Inspection Board, the watchdog for the financial markets, has suggested proposals to prevent the use of options as gambling instruments, though Stenhammar says: "If you stop the speculation, you stop the market." He estimates that, of the participants, 60 per cent are hedging, 25 per cent are speculating and 15 per cent are in arbitrage.

OM has been swift to market its expertise abroad. It is behind the planned options exchanges in Helsinki and Oslo, though in both countries it may face competition from rival privately-owned exchanges despite the small size of the market.

In Finland, OM is involved with Union Bank of Finland (the leading Finnish bank), Skopbank (the central bank of the Finnish savings banks), Pohjola (the leading Finnish insurance group), and H Kuningas (the stockbrokers).

The rival exchange has the support of Kansallis-Osake-Pankki (one of the leading commercial banks), Okobank (the co-operative banking group), Postipankki (the post office bank), and 16 small brokerage firms, and is under the auspices of the Stock Exchange.

Though it is still not certain whether the two exchanges may merge (given that few believe Finland is large enough to need two exchanges), the Justice Minister has already called for a delay in their launch until the new securities markets legislation comes into force, possibly this summer. Even so, there are doubts over whether the new legislation will be adequate to the prevent the sorts of problems which arose in Stockholm.

Norway also had plans for two rival exchanges. Guidelines from the Ministry of Finance are expected to set out licencing requirements, but the brokers believe it will be harder for Oslo to make the same kinds of mistake as the Swedes because, if information on options is linked to the share trading computer system, brokers should be able to check that their clients have the necessary collateral.

In the Danish case, the options market (only one) has been established as a mutual fund by the banks and brokers' associations and is intended to be a non-profit making institution – at this stage. It claims that any profits would be ploughed back into the development of the market or would result in lower fees.

Co-operation with the Copenhagen Stock Exchange is expected to be close.

Sara Webb

Sara Webb on the proposals of Sweden's Credit Market Committee

Rules to tame the 'wild west'

SWEDEN'S CREDIT market has undergone major changes during the 1980s. The creation of a well-functioning money market has provided new funding possibilities – and a welcome alternative to bank loans – for corporate players, municipalities and the finance companies.

The credit market is now almost entirely deregulated, the most important reform being the abolition of lending ceilings.

"It is now a free-for-all in the credit market," says Mr Anders Kvist, treasurer at the Gota group. "As a result, the banks, finance companies and mortgage institutions have had to come up with strategies on how to increase lending and put more emphasis on credit evaluation."

The most important step that remains to be taken is the removal of exchange controls. Other changes currently being discussed by the government-appointed Credit Market Committee concern ways of introducing a more neutral set of rules for the various participants in the market, as well as of improving protection for the consumer.

"It is time to take the wild-west mentality out of the market," says Mr Soeren Andersson, vice-president of Swedbank.

The committee – which consists of representatives of the Riksbank, Bank Inspection Board, Finance Ministry, the banks, insurance companies and finance companies – is due to present its report in the spring. It is preparing to recommend:

□ More liberal conditions for banks;
□ "Quality control" over finance companies and money market players;
□ Limits to the activities of the insurance companies in the credit market;
□ More freedom for stock brokerages.

Despite deregulation, many bankers feel that the Swedish banks are too restricted in their activities. "We feel that the banking system has to be made more liberal so that banks can follow market developments and innovations," says Mr Conny Joerneklint, a committee member.

The problem lies with the legislation which specifies what a bank can do - so that, by implication, everything not mentioned is forbidden. The committee wants to change this, so that the law specifies only what is not allowed.

"The most important thing is to change the law, so that banks are free to act when innovations arise internationally," says Mr Joerneklint; this would eliminate the need to pass new legislation every time there is a new development.

If the proposals are accepted, banks will be allowed to invest in real estate

Some bankers are keen to see a change in the law covering bank ownership. One of the most important changes in the Swedish banking world took place at the end of 1986, when a group of financiers decided to set up a banking and financial services group under one roof.

Gota, as the new group is called, consists of commercial and investment banking, stock broking, property and leasing companies. At present, Gota is restricted to having only majority stakes in the two banks, Goetabanken and Wermlandsbanken. Yet it wants 100 per cent control, since "we constantly have to think of the minority interests when planning," according to Mr Kvist.

If the committee proposals are accepted, banks will be allowed to invest in real estate and to participate in venture capital projects through a subsidiary. The committee nevertheless urges caution when it comes to venture capital projects, so that only a few per cent of the bank's capital is at risk.

"We really want to be in different kinds of project financing, but, even with this proposal, the problem is that we will still be very limited in future," says Mr Soeren Andersson.

When it comes to finance companies, the committee wants far better protection for the consumer, because of widespread alarm about the plethora of under-financed companies, described by Mr Joerneklint as "a jungle".

There are currently about 280 finance companies, many of them the lending operations for ordinary industrial companies which by law have to be registered. Most of the finance companies are involved in making loans to private individuals, leasing, factoring and credit card activities.

"It is hard to see why we need so many," says Mr Kvist.

"We want to raise the quality, because at the moment the Bank Inspection Board has problems in controlling so many finance companies, and there are often complaints that the interest rates charged are too high," says Mr Joerneklint.

The committee will recommend that only finance companies with a capital base exceeding SKr10m should be authorised, as this would be sufficient to weed out the small fry and force mergers. On the basis of present figures, only 30 per cent of the finance companies would survive.

A similar minimum share capital requirement will be proposed for players in the money market, though in this case, the committee recommends a minimum level of SKr50m. Some of those in the money market think it would be more appropriate to relate interest rate risk to share capital, however.

The insurance companies, which are important players in the credit market, because of their large bond portfolios, are already the object of a separate study by the Insurance Committee. This recently advised the Government to introduce restrictions on the ownership of insurance companies (partly because of worries over control by foreigners) and certain limits on the companies' activities and investments.

The main insurance companies have strongly criticised the recommendations, which they think are intended to stop them expanding into other financial business areas at a time when other countries are moving towards the development of financial supermarkets and freer financial services.

The Credit Market Committee supports many of those proposals, and is keen that insurance companies should not diversify, for example by entering the finance company market. The reason is that the committee believes banks and insurance companies should be given an equal footing – at present, insurance companies have a more favourable tax situation.

However, such restrictions must eventually be dismantled. "We cannot keep insurance companies out of the competition from banks and finance companies in the long run, but we would have to change some of the other regulations first, such as tax, before we can allow them total freedom," admits Mr Joerneklint.

In the stock market, the committee is pushing for more freedom for stockbrokers, who currently can have a trading reserve of SKr50m but whom they believe should be allowed to increase this up to 100m if they are to follow international developments. This would pave the way for round-the-clock trading, though there does not appear to be a particularly strong desire for this from brokers at present.

Beyond the Fermenta Affair

A cautionary tale

SWEDEN'S BUSINESS community has learned some lessons the hard way as a result of the scandal that surrounded Fermenta, the antibiotics and animal health group. Many hope that such a disaster – where so many were hoodwinked for so long – could not possibly happen again.

In the wake of the Fermenta affair, a number of changes are purportedly taking place. The Stock Exchange Board is discussing how it can tighten up its listing agreement for companies. Leading bankers and industrialists claim that they now think more carefully about which company boards they choose to sit on. And foreign businessmen admit they are less inclined to put their faith in "traditional Swedish honesty" – something that auditors, brokers, analysts and the media should also do.

It has been easy to put most of the blame for the Fermenta scandal on Refaat El-Sayed, the Egyptian-born entrepreneur who built it from scratch and who is under investigation for serious fraud, book-keeping crimes, and breach of the Companies Act regulations that forbid loans between a corporation and its managing director.

The lawyer representing minority shareholders in Fermenta has accused Refaat of "systematically abusing" his "extraordinarily strong" position in the company. He claims that Refaat manipulated Fermenta's assets on a large scale in order to dress up the company's results, booked "possible future revenue" as income, conducted unrestrained private trading with the company, took out loans or direct payments from Fermenta group companies, and systematically withheld information from the board and the auditors.

Refaat bought Fermenta from the pharmaceuticals group Astra at the end of 1981 for around SKr39m. At the time, it was a loss-making subsidiary with one product (base penicillin) and sales of SKr71m.

Through a public offering in August 1984, he raised money for expansion and turned Fermenta into a leading producer of bulk antibiotics, with fermentation plants in the US, Italy, France, and joint ventures in South Korea and Egypt. The share price climbed rapidly – Fermenta was a star performer on the stock market, rising 1200 per cent from the time of its launch to its peak 18 months later.

By 1986, Volvo saw Fermenta as the key to building up a biotechnology and pharmaceuticals empire, together with Pharmacia and Leo. The group would have had annual sales of over SKr9bn, and – temporarily at least – had the stamp of approval of Mr Pehr Gyllenhammar, Volvo's chief executive and Sweden's leading industrialist.

As it happened, the deal fell apart when it transpired that Refaat had lied about his academic credentials. He was removed from the chief executive post but stayed as deputy chairman. Volvo backed out of the deal, and the Fermenta share price halved.

Refaat had borrowed in order to buy Fermenta shares for the Volvo deal, and then tried to sell his shares to Montedison, the Italian chemicals group. His on-off courtship eventually so exasperated the Italians that they called off the deal. To outsiders it looked as though Refaat was reluctant to relinquish the hold on "his baby". A similar deal with Procordia, the Swedish state holding company, also collapsed.

Worse came when the external auditors found irregularities in the figures. Fermenta had forecast profits for 1986 of SKr700m on turnover of SKr3bn. The auditors sounded the alarm and warned that profits for the first eight months would be wiped out. In fact, Fermenta made a loss of SKr613m in 1986.

The board resigned at a crisis meeting in December 1986 and the new management subsequently set about trying to sort out the mess. As Refaat could not pay off his debts, Fermenta

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Foreign banks in Sweden

High start-up costs will delay profits

FOREIGN BANKS have faced tough times since they were allowed to set up subsidiaries in Sweden in 1986. Start-up costs are high, competition from the Swedish banks is tough, and the rewards are slow to emerge, if not elusive.

Those foreign banks that chose to stick to a representative office, rather than a subsidiary, have been quick to point out that a subsidiary carries comparatively few advantages.

One frank admission of this came from Banque Paribas, of France, which has closed its subsidiary and now continues as a representative office. Profitability was not high enough, and it felt that it could offer its investment banking services without having a fully-fledged subsidiary.

The high start-up costs experienced by the banks arise chiefly from the installation of computers, high rents and salaries, particularly since employers have to pay very high employee benefits and taxes.

As a result, few of the foreign banks showed a profit for 1986, and many do not expect to be profitable in 1987. Break-even targets have been fixed for 1988 and profits for 1989.

The 13 (now 12) foreign banks that were allowed to set up subsidiaries have pursued various strategies. The Finnish banks have opted for retail business and financing trade between Finland and Sweden, where there is a large Finnish community. The Norwegian banks (Den norske Creditbank and Christiania) have chosen to concentrate on Swedish-Norwegian trade financing; while others, such as the French banks, felt that what they had to offer Swedish companies was a global network of offices, which the leading Swedish banks lack.

"I admit that, in some cases, the foreign banks are very good, like Banque Indosuez and Citibank, because they have three times as many subsidiaries as us. But we tell our customers that we as a Swedish bank have their interests at heart, which is not always the case with the foreign banks," says Mr Jacob Palmstierna, deputy chairman of Skandinaviska Enskilda Banken, the leading Swedish bank.

This may be a sound marketing strategy, but it is not very profitable for the banks – according to Ms Louise Amell, managing director of Chase Manhattan's representative office.

"Chase followed that strategy 10 years ago – the Swedish companies go for the best deal in each market, and it was not very profitable for us," she says. Though the French banks are strong in the Middle East and

Foreign banks are not allowed to build up large lending portfolios

Far East, she is sceptical about how much money can be made from this line of business.

She also doubts the need for a subsidiary in Sweden. "We can't do the deal as a representative office, but we can take it close to completion."

Perhaps rather predictably, it is the other Scandinavian banks (chiefly DnC, Christiania, Kansallis) and Citibank that Sweden's leading bankers regard as a threat for the future.

Foreign banks are not allowed to build up large lending portfolios, and are not in Sweden for the ordinary lending business. "We are not here to do bread-and-butter stuff, because Sweden does that very well already and is highly automated," says Mr Bo Hammerich, managing director of Citibank.

When it comes to dealing with the major Swedish companies, competition from the Swedish banks is very tough because of their long established ties within the financial spheres. "We can see it is very hard to break into the spheres," says Mr Hammerich, "but there is room for good professional international bankers too."

Both Citibank and DnC have been aggressive in the money market and foreign exchange markets. Citibank has decided to concentrate on corporate finance for multinationals, merger/acquisition advice, domestic trading in the money market, and possibly private client business for the high net worth individual in future.

So far, it has concentrated on expanding its staff, especially on the foreign exchange and money market side, and says it will be ready to start options trading in 1988. Citibank claims to be very profitable on the money market side, but admits that it has faced disappointments on foreign exchange, where competition was tougher than expected and where it became apparent that it would take time to build up a corporate customer base.

Bo Hammerich is optimistic about entering the retail banking side in the future – at least as far as a specific type of high net worth individual is concerned. "It might be an attractive market place if people ask for more and more services from the banks – it depends how you package these services," he says.

Christiania, of Norway, is doing mainly financing for small and medium-sized businesses which trade with Norway, as well as some Swedish import/export companies. It has entered the foreign exchange market, but is not very active in the domestic money market, where it sees the competition as too tough and where it expects a whittling down of the number of players after the "too rapid growth" of the money market.

DnC, which decided to open up in Gothenburg, where rents were lower and staff recruitment easier than in Stockholm, has sought to create business with the Swedish companies, so that it can offer stronger contacts to its Norwegian customers. It is working mainly with export and project finance.

Whether the strategy of these banks pays off is naturally something that the other foreigners are watching closely; but, though many admit that it is impossible to tell what the business climate in Sweden will be like in five years' time, it is worth noting that, so far, there has not been a rush from the other foreign banks – whether Japanese, German or British – to join the list of subsidiaries.

Sara Webb

Michael Field on the problems associated with Iceland's booming economy

Warmer sea helps to heat inflation

Estimated external debt service

($m¹)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996-2016	Total
Public authorities											
Principal	68	67	103	95	98	178	201	83	78	287	1,258
Interest²	100	94	88	79	71	63	47	35	27		
Total	168	161	191	174	169	241	248	118	105		
Financial institutions											
Principal	51	50	50	47	43	52	40	26	39	70	468
Interest²	30	27	24	20	17	14	11	8	7		
Total	81	77	74	67	60	66	51	34	46		
Private sector											
Principal	32	27	24	21	17	12	18	7	4	3	165
Interest²	12	9	7	5	4	3	2	1			
Total	44	36	31	26	21	15	20	8	4		
Total payments											
Principal	150	144	177	163	158	242	259	116	121	360	1,890
Interest²	142	131	119	104	92	80	59	44	34		
Total	292	275	296	267	250	322	318	160	155		

1) Figures are converted to dollars at the rate of $1 = 40.15 kronur. (End 1986).
2) Interest on floating rate loans is calculated using a fixed 6.5 per cent per annum.
Source: Central Bank of Iceland

ICELAND IN 1987 seems likely to have been the fastest growing country in the industrialised world, as it was in 1986. In both years, its economy has expanded by about 6.5 per cent.

Unfortunately, high growth has brought a new surge in the rate of inflation, which has been the great weakness of the Icelandic economy for the past 40 years, and the Government has recently had to introduce a tough deflationary package.

The cause of the country's spectacular growth has been a rise in its income from fish, which provides between half and three-quarters of its exports, depending on the catch.

In recent years, there has been a marginal increase in the sea temperature around Iceland, which encourages breeding. World prices for fish products have continued their long-term upward trend; the Icelanders have improved the management of their fish stocks; and more of their catch is being sold fresh in Europe, which is how it commands the best prices.

Given that the fishing business is entirely in private hands and contributes 20 to 25 per cent of GDP, any increase in income from the catch has an immediate and substantial impact on the level of demand in the economy.

Ironically, there has traditionally been a similar inflationary effect when the catch has fallen, because this has caused the Government to devalue the krona, thus raising the cost of practically all the industrial goods sold in Iceland.

Other long-standing inflationary influences have been the highly unionised state of Icelandic society, the political divisions in the union movement, which cause leapfrogging wage demands, and the long-standing consensus that there should be full employment.

The labour market has been kept buoyant traditionally by high rates of spending on infrastructure. One per cent unemployment has been normal. At present, the number of vacancies is about five times the number of registered unemployed.

Inflation started to run out of control in the 1970s, and in 1983 it hit 84 per cent. The conservative coalition that came to power in that year stopped wage indexation and allowed interest rates to rise to high real levels, which curbed Icelanders' tendency to borrow and spend. It also introduced a stable exchange rate policy. The last formal devaluation of the krona, which has its parity calculated on a heavily dollar-influenced basket of currencies, was in 1984.

After three years, the Government got inflation down to 13 per cent in 1986, but now the rate has risen again. In 1987 it ran at about 25 per cent.

An important contributory factor in the recent increase was the unions' attempt, in the December 1986 wage negotiations, to raise wages for the lowest paid by much more than for the rest of the labour force. (The same attempt has been made in several other Scandinavian countries during the last year.) They negotiated an increase of some 25 per cent, but this only led later to higher-paid workers gaining increases to re-establish their differentials.

The December 1986 negotiations took place at a time of pre-election relaxation by the Government. They were followed by a series of public sector strikes just before the election, in April; and then, when the governing coalition lost seats, there was a two-month hiatus in economic policy while it negotiated to broaden its coalition base. The Treasury ran a deficit, there was an influx of foreign credit, and local bank lending in the first eight months of the year rose by 29 per cent.

Now that a new centre-right coalition has been established by the inclusion of the Social Democrats, the government of Mr Thorsteinn Palsson is renewing the attack on inflation. The 1988 budget, which runs on a calendar year, is balanced. Sales taxes and the import duties on vehicles are being increased. The banks have been told to improve their liquidity ratios, and interest rates have been raised in real as well as nominal terms. The Treasury has increased its issue of domestic paper.

The Government's prediction is that, in 1988, economic growth will be about 0.2 per cent, not only because of its recent austerity measures but also because there will have to be stricter limits on the fish catch. It seems, furthermore, that the rise in fish prices is levelling off.

The immediate package of measures is being matched over a longer time-scale by a steady deregulation of the economy and a greater reliance on market forces.

In some ways, Iceland has always had more of a market economy than the other Scandinavian countries. It has not experienced long periods of socialist government. Taxes are lower than elsewhere in the region; the top rate of income tax has recently been cut from over 50 per cent to 35 per cent, though the number of available reliefs has been reduced. The public sector contributes only a third of GDP. The airlines and shipping companies have always been mainly private. Of the country's two heavy industries, one, the Alusuisse aluminium smelter, is entirely private, and the other, a ferro-silicon plant, is owned 51 per cent by the state and 49 per cent by Norwegian and Japanese companies.

Recent deregulatory moves have involved the introduction of a free market for part of the fish catch that goes for domestic consumption, and a weakening of the policy of subsidies for local agriculture which has led to over-production. The state has also sold what shares it held in several factories in Iceland; in Eimskip, the country's biggest shipping company; and in the Industrial Bank.

Much the most important deregulation has been in the banking sector, which, in the early 1980s, was an exception to the Icelandic norm in being even more regulated than in other Scandinavian countries.

In November 1986 the central bank gave up its direct control of interest rates, and in October last year it began the process of allowing Icelanders to invest in foreign securities. So far, they have been given complete freedom only to invest in Icelandic paper, but they can get permission to invest in other "good quality" securities, and it is understood that gradually their freedom will be extended.

One of the three remaining state banks, the Fisheries Bank, is being reorganised as a shareholding company, with the intention of its being sold to the public. And there may be a change in the law to allow foreigners to buy shares in this and the country's other four private banks. The two biggest banks, including the Landesbanki Islands, which dominates the market, are expected to stay in government hands.

The liberalisation and privatisation measures have been accompanied by a rapid growth in trading on the country's bond exchange, which deals in the short- and medium-term paper of the Government, which issues Treasury savings certificates, the banks and private companies. However, there is no organised stock exchange, and it is this, in part, which is delaying the floating of the Fisheries Bank. The Central Bank is working on plans to create an exchange.

These changes are coming at a time when there is a big expansion of surplus private capital in Iceland. Before the 1980s, Icelanders either spent their income or put it into their homes; because interest rates were negative, they had no incentive to do otherwise. But now that the nation's housing stock has been modernised and interest rates are real, Icelanders want to put their money into other types of investments. In 1984 and 1985 the property market actually fell in real terms.

One effect of this change may be that the Government will be able to draw more on the local capital market and less on foreign markets.

At the end of 1985, Iceland's foreign debt, public and private, was $1.6bn, equivalent to 52.5 per cent of GDP. This ratio was regarded as alarmingly high, and in the last two years it has fallen rapidly, partly because of the high rate of GDP growth. At the end of 1987 the figure was below 40 per cent.

There has also been a decline in the Government'e borrowing, and in 1988, as part of the balanced budget strategy, it is intended that there will be no new foreign borrowing at all. The main activity of the central bank in the markets will be the refinancing of the Government's 10-year floating rate notes. In the past year, it has been doing this partly through a Eurocommercial paper programme; but now that it has some $140m of paper outstanding, the bank's officials say that most of their refinancing in 1988 will be done by other methods.

Reykjavik: where jobs are plentiful

Gross external funded debt

($m year-end)

	1982	1983	1984	1985	1986
Public debt	778.6	847.9	878.7	1071.6	1257.0
of which: Treasury	403.9	433.3	479.5	608.0	726.8
Financial institutions	241.4	288.5	290.1	372.5	467.7
of which: Central Bank	10.0	18.0	15.0	11.9	8.9
Private sector	178.5	152.7	122.6	130.0	165.5
Total	1,198.5	1,289.1	1,291.4	1,574.1	1,890.2
External debt as percentage of GDP	38.2	47.1	49.3	52.5	45.0

Source: Central Bank of Iceland

After Fermenta

Continued from page 3

fell into the hands of Industrivaerden and Goetabanken. Mr Kjell Braendstroem, who stepped in as chairman at the end of December 1986, said he had found "a mismanaged and badly organised company", which was expelled from the Stock Exchange.

The new management organised a financial rescue package to raise SKr595m and toyed with the idea of selling all or part of Fermenta to Trans Resources Inc, a US holding company. A plan which was scuppered by the stock market crash. Today, Fermenta has sold off its loss-making fermentation plants and expects losses for 1987 to reach SKr140m.

What is the moral of the tale? Perhaps that the Swedish financial community, which for so long has been dominated by power camps operating on a "trust your friends" basis, should be more sceptical the next time it is approached by an entrepreneur – something that would inevitably reinforce Sweden's image as a country where bright entrepreneurs are stifled.

Refaat certainly won the hearts of the Swedish public, media and most of the business world while Fermenta was in the ascent. Not for him the trappings of wealth, even at a time when he was worth SKr5.5bn on paper. His lifestyle was perfectly ordinary – something admired by the public. With his raucous voice and tendency to take off at a tangent, he was sometimes difficult to follow – to the extent that Swedish television always subtitled his interviews even when given in Swedish.

Fermenta was supposed to have one of the most prestigious boards in Sweden, with names like Goesta Bystedt (depoty chairman of Electrolux), Paer Skåantorp (a director of Beijer), Ove Sundberg (formerly chief executive of KemaNobel which is now part of Nobel Industries), Ulf Widengren (who was chief executive of Astra), and Leon Nordin (a leading light in Swedish advertising).

"The Fermenta story has been a warning to society that there is a risk that board members can be sued if anything goes wrong," says Mr Bertil Holmberg, the present chief executive of Fermenta who has worked to put the company back on its feet. "It has caused a lot of changes in the way the supervisory boards are working in Sweden – members now ask themselves if they are skilful enough and properly prepared."

Now that Fermenta has filed suit for damages against Bystedt, Nordin and Sundberg, many businessmen are thinking more seriously about taking out liability insurance and about whether they have time to sit on so many boards.

Sweden's business fraternity is notoriously cosy – partly because it is so small – with friends from university sitting on the same boards, and creating "board mafias".

"It is obvious that if you sit on too many boards you cannot keep track of all the problems which pop up in different companies," says one analyst.

Even so, there are still people who sit on several different boards and for whom the message of responsibility does not seem to have sunk in. Stig Malm, leader of the Trade Union Confederation, who is also chairman of the board of the insurance company Folksam among others, was recently criticised for not informing other board members of Folksam's losses in the options market, but did not feel obliged to resign.

As one banker put it, "In future, I would hope that banks will scrutinise credits very carefully and not jump at the first entrepreneur who comes along. Personally, every time I read of some success story in the papers these days, I wonder whether this will be another Fermenta."

Sara Webb

Why Danske Bank directors start early

'Attitude' has been the success factor

DEN DANSKE Bank has pulled decisively ahead of its perpetual rival to be the country's biggest bank, Copenhagen Handelsbank, not only by gaining market share but by opening up a sizeable gap between the share capital and reserves of the two banks.

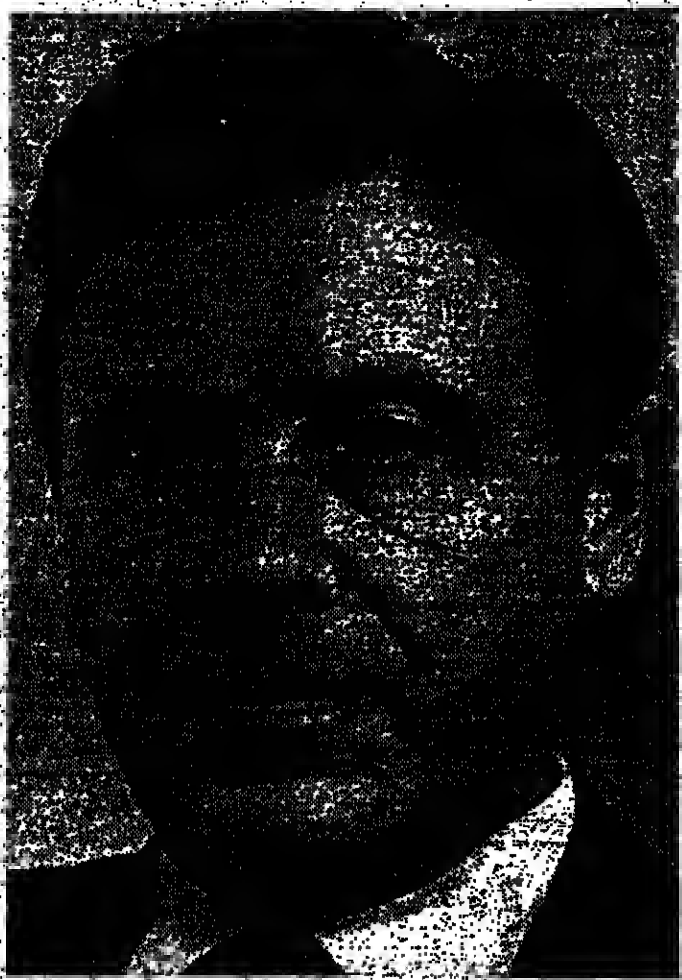
The situation is relished by Mr Tage Andersen, chief general manager of Danske Bank. At a press conference last year, a journalist asked him how he would utilise the bank's position as the country's biggest bank in its marketing abroad. "Optimally," replied Mr Andersen, with evident satisfaction.

The two banks are not only rivals. They are neighbours, occupying adjoining 18th century mansions in the centre of the city, just a stone's throw from the National (central) Bank across the street.

Proximity invites speculation that one day the two banks might merge, forming a bank big enough to keep Danish banking Danish when the European Community completes the internal market and liberalisation of financial services.

"It's probably unrealistic and it hasn't been discussed," said Mr Andersen.

"It is logical, but the culture of the two banks is very different, so a merger would be very difficult to handle, and Handelsbank will never agree to consider the idea until it has had a couple of good years and could look at the idea without loss of face," said a well-informed banker, not connected with either bank.



Tage Andersen: cultural differences preclude a merger

Den Danske Bank (DKr m)	1985	1986
Net income from interest and commissions	2,690	2,915
Other ordinary income	753	705
Operating profit	1,013	1,279
Portfolio adjustment	2,735	-1,302
Net profits	1,877	52
Total assets	129,035	132,100
Shareholders equity	7,497	8,040

Danske Bank has built up share capital and reserves of about DKr7.8bn, almost DKr2bn more than its rival's. Since the early 1980s it has increased its share of deposits from about 20 per cent to over 22 per cent, while Handelsbank's has slipped from 20 to about 17 per cent. The gap on advances is narrower, about 18 to 17 per cent in Danske Bank's favour.

Mr Andersen attributes the bank's success to an attitude rather than to particular decisions — centralised management but decentralised administration, with considerable leeway for branch managers, and an ambition to achieve uniformly high quality.

A small but perhaps telling example of the cultivation of the right attitude is that Mr Andersen and his co-directors make a point of starting work at 8.30, an hour before the bank opens its doors, letting lesser mortals know by this practice what is expected of them. Mr Andersen is a rather dry character, but he has a sharp turn of phrase and is deeply respected by his staff.

Danske is traditionally the bank used by the biggest Danish companies. As the largest companies have a big foreign trade turnover, this has benefited Danske, which accounts for about 40 per cent of financial transactions connected with foreign trade, said Mr Andersen.

The bank itself has branched out abroad over the past decade, with a wholly-owned subsidiary in Luxembourg and branches in London, New York, Singapore and Hamburg. It is opening a representative office in Tokyo shortly.

"The Danish market is small and covered by a national network, so if we are going to grow it has to be by obtaining business elsewhere in the world," said Mr Andersen.

Initially the branches abroad were seen as supporting companies of Danish origin, or with Danish connections, but this market was not big enough, so now the branches are soliciting business from non-Danish companies. "The New York branch is having considerable success with medium-sized US firms. Being small, we can offer tailor-made services to them," he said.

Experience abroad plays an important role in maintaining and improving management standards at home. Managers are, as far as possible, recruited internally, and rising managers are sent abroad to gain language and other experience. Serving with the bank's own banks abroad "teaches our people to compete. When they return home they are certainly not dummer than when they left. This has an important influence on staff quality."

The bank managed to increase *first-half operating profits from* DKr591m to DKr701m in 1987. Operating profits for the year would also be satisfactory, said Mr Andersen, but loss provisions would be larger than expected, with agriculture and fisheries both faring badly and dollar-based manufacturing companies not doing too well, either.

Net profits will depend on how the bond and share portfolio fared. Under Danish law, changes in the market value of the securities portfolio are entered fully into the profit and loss account in the year in which they occur.

The bank has kept its costs under control in recent years, when they have grown less fast than the average for all banks or those of its main rivals among the larger banks. The ratio of costs (including loss provisions, write-offs and depreciation) to ordinary income has been cut from a peak level of 89 per cent in 1983 — when there were large provisions — to 64 per cent in 1986.

Its capital ratios ooze soundness. Equity capital and subordinated loan capital was 7.13 per cent of total assets at the end of 1986, and the ratio of equity to advances and guarantees was 13.0 per cent.

Hilary Barnes

Scandals alarm Denmark

Something rotten

THE DANISH banking world has been badly shaken by three bank crashes since 1984, two of them in 1987. The problems were not routine stuff.

"We have *never seen anything like this kind of criminal behaviour* among Danish banks before," said Mr Eigil Moelgaard, *head of the Bank Inspectorate,* in Copenhagen. "But I must stress that fundamentally the banking system is absolutely sound and *functions cheaply and efficiently.*"

Last year's scandals have caused a swift reaction by the authorities. The National (central) Bank is acting to impose greater discipline on the banks. The Folketing has passed legislation spelling out stricter requirements for external auditors, and a depositor insurance system is being established.

The three banks that have gone down with their affairs in scandalous disorder are Kronebanken, in 1984, when it was the seventh largest commercial bank; and, last year, two small Copenhagen niche banks last year — 6 Juli Bank and C G Bank.

The niche banks ended up in trouble when they found themselves with large and unsustainable commitments to customers with whom the "establishment" banks did not want to do business. Mainly for this reason, the other banks were reluctant to take over the ailing pair and save depositors from losing their money, although in the end depositors were covered and 6 Juli Bank was taken over (as was Kronebanken).

The reluctance of the banking community to come to the rescue took many people by surprise. For several decades banks had rallied round and arranged a take-over when one ran into trouble, and it came to be regarded as an article of faith that the banking community would never allow depositors to suffer a loss.

But by their reluctance to bail out 6 Juli Bank and C & G Bank they have made it abundantly clear — as Mr Bendt Hansen, *chairman of the Bankers Association* and chief executive of Copenhagen Handelsbank, has put it — that they would not *"automatically" rescue colleagues* in trouble.

In "normal" cases they will still rally round, as was demonstrated in December when Andelsbanken (Danebank) took over Hellerup Bank, a Copenhagen suburban bank, after Hellerup Bank had sustained heavy losses.

Responsibility for the problems at Kronebank, 6 Juli Bank and C & G Bank will ultimately be placed by *the courts,* but Mr Moelgaard is outspoken in his criticism of the conditions the Inspectorate found at the two niche banks. In either case large off-balance sheet items had not been booked, especially guarantees. Danish law is clear on how these items should be booked. It was therefore a shock to the inspectorate to be faced with this situation.

"This is awful, because we have no means of knowing about these unbooked items," said Mr Moelgaard, who points out that the inspectorate is not supposed to act as a detective agency. "It is hair-raising to find that we cannot trust a bank's personnel."

The existence, or suspected existence, of unbooked guarantees was one reason why other banks were reluctant to help out, although 6 Juli Bank was finally taken over by Sydbank, a Jutland regional bank.

In the case of C & G Bank, loss provisions booked by the bank itself at DKr70m rose to DKr700m after the Bank Inspectorate had been through the bank, said Mr Moelgaard. This and similar examples at 6 Juli Bank was *prima facie* evidence that the auditors had not done their job properly, he added. The inspectorate has reported the auditors to the police.

Another lesson drawn by Mr Moelgaard is that the supervisory boards of banks, which traditionally let the board of management play the dominant role, will have to play a more active part in running banks. It was especially noticeable that C & G Bank got into trouble despite the fact that it had a highly qualified supervisory board.

After last year's experiences the inspectorate might be less patient in its efforts to enable banks to survive, said Mr Moelgaard.

The inspectorate was criticised by, among others, Mr Bendt Hansen for being too lenient with C & G Bank when it first became apparent that there were irregularities.

The National Bank also has grounds for tears, as it was caught with DKr389m in outstanding loans to the bank when it was finally closed.

Mr Erik Hoffmeyer, governor of the National Bank, has called for the inspectorate, now an agency under the Industry Ministry, to be integrated with the National Bank. *When the bank* supplies cash support, it needs to have control over the inspectorate, as in most other countries, *he said.*

As the institutional change cannot take place rapidly (if at all), the National Bank is taking *other measures to tighten up* discipline. For the past 10 years it has operated a system by which banks can raise cash from the National Bank without collateral and up to limits related to equity capital. The present limit is 55 per cent. Mr Hoffmeyer said the bank now planned to lower the limit, probably to 40 per cent, and to demand collateral.

"We feel that it is necessary to have more discipline. It has been too easy for these small banks to pursue a policy which is not reasonable," he said.

A depositor insurance scheme is now under establishment. This will make it easier to let erring banks go bankrupt. The scheme has been in preparation since Kronebanken went bust, but was not in place when trouble arose at 6 Juli Bank last March. There was therefore great political pressure on the other banks to take over the bank in order to prevent depositors losing their money. The banks finally agreed to cover 6 Juli Bank's "small" depositors, and have extended the same assistance to C & G Bank's depositors.

From this year there should be fewer problems on this score, as a depositor insurance fund will be established, based on contributions by banks and savings banks of 0.2 per cent of deposits with the banking system.

One further consequence of the problems over the past few years is that the system for calculating equity ratios is to be changed. Until now the minimum equity ratio has been 8 per cent of deposits and guarantees, which is probably the toughest ratio requirement anywhere in the world.

In future the ratio is to be calculated as 8 per cent of risk-weighted assets. Also, from 1990, subordinated loan capital will no longer be considered as part of the equity base for the purposes of calculating the ratio.

Hilary Barnes

Danish debt

Deficit in decline

"AS LONG as the net foreign debt does not go higher than the present 38-39 per cent of GDP, we shall not have any difficulty borrowing," said Mr Niels Erik Soerensen, in charge of foreign borrowing at the National Debt Office in Copenhagen

Persistent current account deficits have made Denmark one of the most active sovereign borrowers in the international markets over many years. But with a sharp decline in the current account deficit, the kingdom was able to watch and wait for good opportunities in 1987.

Conditions for tha kingdom in 1988 should be satisfactory, too. The current account deficit, which reached a record DKr34.5bn (5.2 per cent of GDP) in 1986, was down to around DKr20bn in 1987, and the deficit expected this year is abont DKr15bn.

With interest rates falling, the Government may utilise opportunities for early repayments on some of its outstanding debt. The maximum amount which could be involved is DKr10bn-11bn, according to Mr Soerensen.

One new instrument is planned in 1988, when the kingdom *will* be establishing a medium-term notes programme in the US, up to a maximum of $1bn. This follows in the footsteps of the Nordic Investment Bank and the European Investment Bank.

"We have talked to these borrowers and we are convinced there is a good market," said My Soerensen.

The medium-term notes have the advantage of flexibility over ordinary bond issues, when a decision has to be taken to borrow a particular amount on a particular day at the terms available. Notes can be issued in *small amounts to take advantage* of market fluctuations.

"We shall be testing the market to see if it is cheaper to borrow *this way than by traditional* bond issues. If it is, we may make a substantial part of our loans next year this way." explained Mr Soerensen. A similar programme might be started later in Europe, he added.

The government sector's net foreign debt at the end of 1986 was DKr170bn, with the central government accounting for DKr119bn and the Mortgage Bank of Denmark for DKr31bn, local government and other agencies for the rest.

The dollar share of the debt, which was 64 per cent in 1982, *has been gradually reduced* in recent years to about 38 per cent by the end of last October. This process will continue. "We think *it should* be a bit lower than this," said Mr Soerensen.

The Government's gross long-term borrowing requirement in 1988 will be about DKr19bn before early repayments, which means that the maximum amount the it will be *after* will be about DKr30bn — a figure which assumes that there will be no net borrowing by the private sector.

This figure also allows for a small decline in the foreign exchange reserves, which had risen from DKr33bn at the end of 1986 to well over DKr60bn at the end of last year — a development that has been encouraged by the ability of the Debt Office to borrow amounts at below Libor (London interbank Offered Rate), and of the central bank to place funds in the market at rates over Libor.

Hilary Barnes

Foreign borrowing

(Bn DKr)

	1987	1988
Repayments—Long-term	10.7	11.4
Short	16.9	15.6
Gross borrowing—Long	24.3	19.4
Short	16.8	15.6
Net borrowing	13.6	8.0
Current account deficit	20.0	15.0

Source: Ministry of Finance Budget Survey, December 1987

The Helsinki Stock Exchange has emerged serenely from the crash

Forecasts permit optimism

IT HAS been compared to riding a rollercoaster blindfolded. Basically, investors feel safe with the Helsinki Stock Exchange, but at every corner there looms another shock.

The stock market is much more sensitive to outside events than it was only a year or two ago, but the underlying fundamentals of the Finnish economy, and particularly the good performance by the quoted companies, will probably support prices better than in most countries.

The global crash in October was just another of those small shocks in Finland. Prices began to decline, but on average Finnish shares lost just over a fifth of their value. Considering that they had already risen some 60 per cent since the beginning of 1987, and 160 per cent from the year before, to the all time high just prior to the crash, few investors have lost their shirts.

By October the Finnish stock market had matured to a level comparable with many other European bourses. In fact the average p/e ratio of about 15 per cent on the HSE was even higher than in Stockholm. Meanwhile, the turnover in shares had risen from FM9bn in 1986 to FM25bn for the first 11 months of 1987.

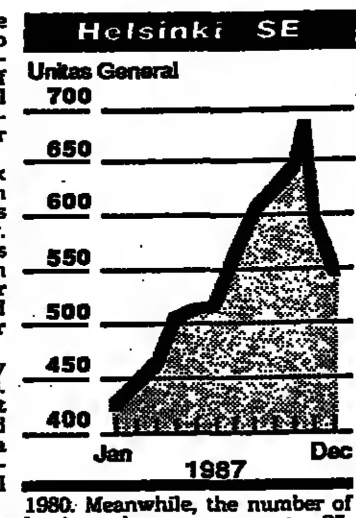
When the crash came to Helsinki, it was led by large foreign investors who wanted to rid themselves of most shares, and particularly of small marginal holdings, such as Finnish stocks. Consequently the free shares – for example, the shares available to foreign investors – lost considerably more than restricted shares. The premium on free shares is still much smaller than before the crash.

Overall, foreign investments in Finnish shares amount to between 5 and 10 per cent of the market capitalisation of about FM75bn. Maximum foreign ownership in Finnish shares, according to the recently passed law, is 40 per cent of the equity and 20 per cent of the votes. But the companies have to apply for an increase from the previous ceiling of 20 per cent of the equity. The highest maximum allowed by the Ministry of Trade and Industry is still below 30 per cent.

Finnish investors also began to sell after the crash. And then, predictably, some began to buy. Prices were unstable for some time, with the indices going up or down by 2 to 3 per cent almost daily. But the country never saw a panic.

A strong belief in the economy still prevails. GDP is expected to grow by 3.5 per cent in 1987, almost double the rate in other West European countries. Inflation will remain at around 3.7 per cent, while unemployment is not expected to go above 5 per cent in 1987.

Furthermore, the markka is now strong. Currency reserves, which dwindled to a mere FM8bn some 15 months ago, amounted to some FM25bn in mid-December. This was largely due to Finland's high interest rate level, the weapon that the Bank of Finland has used to prop up the currency. The government debt, at 15 per cent of GDP, is low by international comparison, and so is the balance of payments deficit of 2 per cent of GDP.



Despite the storms, the outlook for the HSE is bright. One reason for this is that company profits are expected to rise considerably. Ons estimate is that net profits of listed companies grew on average by 50 per cent last year compared with 1986, and will grow by another 10 to 15 per cent this year.

More companies will probably be listed on the HSE in 1988. Sampo, Finland's second largest insurance group, which changed its status from a mutual to a limited liability insurance company at the end of 1987, will seek, and get, a listing.

In addition, a couple of state-owned companies are expected to raise capital on the HSE. Potential candidetes include Kemira, the fertiliser group that has expanded rapidly by making large investments at home and a number of acquisitions abroad. Also, the Valmet Paper Machinery group, a joint venture between the state-owned Valmet and the privately held Wartsila, is expected to boost its capital base on the stock market in 1988.

One reason for the high prices is the shortage of material. There are only 53 companies listed on the HSE, compared with 50 in 1980. Meanwhile, the number of brokers has gone up to 25, including seven new members, since the beginning of 1987.

On the other hand, the over-the-counter (OTC) list has grown in length, but its appeal to investors is still rather limited. Some of the companies on the OTC list may seek upgrading to the HSE list.

The HSE is currently investing heavily in a computer-based trading and information system, which may pave the way for a paperless stock ownership. All trades would be fed into a computer, which would be the central record for stock holdings.

Olli Virtanen

Finland's new banking laws

Equal and more competitive

WHILE DEREGULATION has shaped much of Finland's financial markets during the past few years, new banking laws will pave the way for more equal competition between different types of bank.

Finland's banking system is exceptionally concentrated: only three commercial banks, one savings bank group, one co-operative banking group and Postipankki, the post office bank, control the markets.

On the other hand, the banks *have some 3,500 branches* between them, which, in a country of 5m people, makes the network one of the densest in the world.

The Bank of Finland has consistently liberalised the markets, and this has led to increased competition between financial institutions. Furthermore, traditional boundaries of influence have come down. The savings bank group Skopbank, Okobank (the co-operative banking group) *and Postipankki now actively* court blue-chip clients with sophisticated financial services, directly challenging the traditional dominance of the large commercial banks.

Skopbank and Okobank, particularly, have expanded rapidly from their original household, farming and small business clientele to larger cities and larger customers. But the present savings bank and co-operative bank laws, dating back to 1970, placed a number of restrictions on them, compared with the law governing commercial banks. So the changing environment on money and capital markets prompted the Government to revise all banking laws at the same time.

The proposal for amending the current law on deposit banks will basically put commercial banks, savings banks, co-operative banks and Postipankki on the same legal footing. The law will mostly change the positions of the savings and co-operative banks. Postipankki is trans*formed from* a government agency to a state-owned limited liability company, and to a commercial bank, from the start of this year.

Meanwhile, the two commercial banks, Union Bank of Finland and Kansallis-Osake-Pankki, will be little affected. (The third commercial bank is the tiny Bank of Aland.) According to the current laws, savings banks and co-operative banks have been more restricted in solvency and liquidity requirements than commercial banks.

The new proposal allows all banks much more flexibility to include various financial items in their cash reserves, the main measure for liquidity. Individual savings and co-operative banks would have more opportunities to tap into funds of their respective central banks. Solvency will be determined by the ratio of equity capital to assets, rather than the ratio of equity capital to liabilities.

The new law will enable the banks to use various types of the equity capital *more freely* to cover their liabilities. Also, it enables them to increase their equity capital more easily, and even allows them to issue new types of investment shares to "outsiders".

Okobank and Skopbank don't exclude a possibility of having their new series of shares quoted on the stock market. Both banking groups are expected soon to increase their equity capital in order to expand further in the fields of corporate finance and investments.

Meanwhile, savings and co-operative banks will be allowed to lend money without sufficient collateral, the way commercial banks have legally been allowed to do. And they will be permitted to establish branches or representative offices abroad and own shares in foreign financial institutions.

Yet it is unlikely that any of the 350-odd individual co-operative banks or the 250 savings banks would seek to expand abroad in the near future. The two groups have concentrated their foreign operations on Skopbank and Okobank, which have set up offices in the main financial centres. Both groups welcome the new law. It allows them to operate on equal terms with KOP and UBF.

Postipankki is a case of its own. Although it will now be on the same legal level with all other banks, the change from being a government agency to a limited liability company did not happen without a debate.

According to the post bank law, which changes the status of Postipankki from the beginning of this year, the bank's maximum share capital will be FM500m. Furthermore, the Industrialisation Fund of Finland, a state-owned financing vehicle, will be merged with Postipankki, increasing its equity capital by FM1bn. This, together with the fact that the state continues to provide limited guarantees to Postipankki, even after the change of status, has irritated competitors.

Meanwhile, UBF and KOP have not stood idly by while the other banks have sharpened their teeth. The two rivals, which have traditionally competed as to which is the bigger, now concentrate more on the bottom line. Both have had their organisations geared to profit orientation recently. As a sign of this, the commercial banks have gradually introduced more and more service charges. One of the latest and more controversial ideas is to charge customers one or two markkas for withdrawing money.

The two commercial banks are in no immediate danger of losing their positions as the leading financial institutions in Finland; but, with the new banking laws, Skopbank, Okobank and Postipankki will enter the same stage with the clear intention of making a challange.

Olli Virtanen

Jaako Lassila: today's markets are to his liking

Olli Virtanen profiles KOP's chairman, Jaako Lassila

'Bad boy' proponent of revolution

KANSALLIS-Osake-Pankki (KOP) has always been "one of Finland's two leading banks", a neck-to-neck rival of Union Bank of Finland (UBF).

But when Jaakko Lassila, aged 59, became chairman of KOP some five years ago, Finland had only one leading banker. His folksy ways quickly earned him enormous popularity. This was helped by his good-humoured nature and "Iacocca-style" TV commercials.

Lately, however, Lassila and KOP have lost some of the limelight to competitors. They seem to have beaten him at his own game of being first, most visible and always surprising. KOP has developed rapidly during Lassila's tenure. The bank's balance sheet amounted to FM101bn (about $20bn) at the end of 1986, more than Finland's budget for the year. Its foreign network includes 12 cities, spanning New York to Tokyo, and its profitability has stayed reasonably good.

The past five years have seen a small revolution in Finland's money and capital markets. Most regulations have been abolished and market forces now have a free reign.

Lassila was the most vocal proponent of liberalisation. After taking office at KOP he constantly urged the Bank of Finland, his former employer for four years, to speed up deregulation.

Since last May, Finns have been allowed to purchase up to FM50,000 (about $10,000) of foreign portfolio investments. Finnish companies are now allowed to take long-term loans from foreign sources.

But then, Lassila has always been something of a maverick, whose guiding light is freedom of the markets. He joined KOP from Pohjola, Finland's leading insurance company, where as chief executive he broke the long-established tradition of premium cartels. "I was considered a bad boy by some competitors and observers," he concedes, "and perhaps some of it carried over to KOP, too."

Bad boy or not, he never hid his urge to "untie his hands and legs", as he called the regulations the Bank of Finland had imposed on banks in early 1980s. In fact, by controlling mean lending rates and interest rates on deposits, which made up about 70 per cent of the banks' funding, the central bank could, in effect, determine the banks' bottom lines.

Lassila admits that, during the *past few years, the Bank of Finland* has taken most of the steps he urged it to take in the past. "In retrospect," he allows, "the speed, too,has been quite good."

Today Finland's financial markets are very much to Lassila's liking. Only one major restriction remains: the law on tax free deposits, which is closely linked to the system of interest rate cartel, is still in force till the end of 1988. This will probably be abolished when it expires.

Deregulation may have progressed the way Lassila and other bankers wanted, but now there are new disagreements brewing. Governor Rolf Kullberg of the central bank has complained that the average lending rates have not fallen, despite increased competition and significantly lower level of interest rates in Europe.

Lassila counters the accusation by claiming that the central bank is still intervening by issuing certificates of deposit in order to vacuum in excess liquidity. If part of the record high currency reserves of some FM30bn could be used to increase money supply, says Lassila, interest rates would come down automatically. He estimates that average short term rates are some 3 per cent higher in Finland than the interest in the central bank's own trade weighted currency basket.

KOP and Lassila have had an even tougher time with other banks. Finland's banking scene has traditionally been very staid and rather uncompetitive. During the past couple of years, UBF and its chairman Mika Tiivola have taken a number of shrewed - and uncharacteristic - decisions, both in reorganising the Finnish industry and charting their own business strategy.

In the latest move, UBF sidestepped from the plans to establish an options exchange among all institutions operating on the Helsinki Stock Exchange. Instead it teamed up with Skopbank and a broker to be first with their own options market. There are now plans to merge the two plans, but the incident left KOP to look like an underdog.

This was not helped by the fact that Lassila himself has withdrawn from TV commercials and tends to keep a lower profile than before. "An image wears off," he explains.

But the bank is still developing fast, and Lassila proclaims two targets for it in the future. One of them is to become a more Nordic bank. The other is called the "bottom line" - the traditional ranking by total assets or capital base now gives way to concentration on the result.

Other surprising moves may in the offing. Asked about buying foreign banks at post-crash bargain prices, he only smiles, and does not exclude even wildest the speculations.

Despite the changing face of Finnish banking, Lassila remains down to earth. He seldom works at weekends, but drives to his farm to relax, fish or shoot clay pigeons.

Profile: Den norske Creditbank

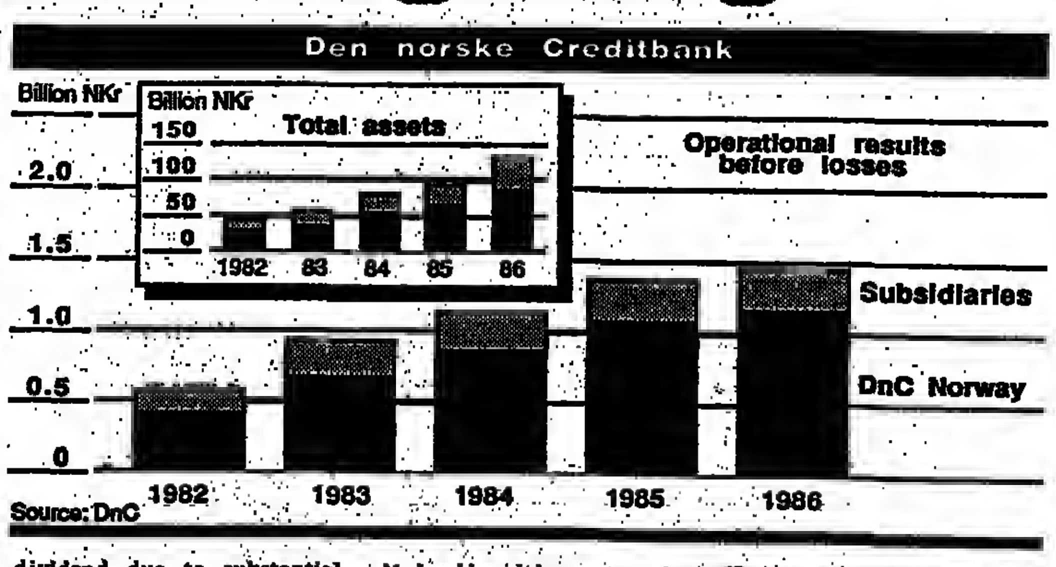
Setbacks in a global game

FOR TWO consecutive years Den norske Creditbank (DnC), Norway's largest bank, has had to pay dearly for its aggressive pursuit of globalisation.

With a strategy built on diversification and expansion, the bank's luck with regard to timing has been rather unfortunate. It does concede, though, that its "main challenge is to further develop and increase the efficiency of the existing network" which it has managed to build.

Profitability from DnC's international activities has yet to be satisfactory, however

In 1986, the dramatic fall in the oil price forced the bank to forfeit high targets, and instead settle for a lower net profit after provisions were made. Major losses on loans to companies within the offshore oil and gas industry were incurred by the bank.



Source: DnC

Profits slipped to NKr327m, compared with NKr583m in 1985. By the time the oil price stabilised at a higher level during the year, and DnC looked like regaining momentum to meet its goals, the bottom had fallen out of the stock markets – a sector in which the bank has become a big player.

DnC now faces serious losses and finds itself at the centre of focus in a criminal investigation of one of its traders. In November, DnC announced the suspension of Mr Philippe Hecker, a French national and senior share-trader, for unauthorised trading. The case has now been turned over to Norway's police, who are charging Mr Hecker with violation of the country's fraud laws.

DnC says that it doesn't yet heve a final figure on stock losses which it faces as a result of Mr Hecker's dealings and the stock market crash, but estimates the figure to be well over NKr1bn. The bank intends either to realise these losses or write down *the value of its* foreign share portfolio.

After Black October, when revelations about losses in the bank's share portfolio emerged, Mr Leif Terje Loeddesoel – shipping wizard turned banker, and DnC's president – said: "If running the bank is my responsibility, I am prepared to accept the consequences... If it means that the board should ask me to withdraw, I am prepared to accept that responsibility."

Mr Loeddesoel has not been asked to withdraw, but he might be faced with a rough ride should he again have to be the bearer of bad news to DnC's shareholders; that the bank, for the second year running, may not be in a position to pay out a dividend due to substantial losses.

For 1986, DnC issued bonus *shares*, to the tune of NKr158m,in lieu of dividends. Shareholders received one new share for every 11 that they held. The bank allocated the shares without payment, and they were meant to "provide a basis for full dividends for 1987".

However, in its 1986 annual report, the bank has already warned shareholders. It confessed that, because of problems within a number of industries, the possibility of sizeable losses *also* in 1987 *should not* be excluded. That warning was given before consideration to losses in share-trading ever became an item.

DnC, along with Norway's other two top banks, Christiania and Bergen Bank, has also seen its credit rating downgraded by the major rating agencies.

Because of other events in the country this year, creditors have become concerned about the volatility of Norway's, and its lend*ing institutions', liquidity.*

Shareholdings seemed to have been the last straw propping up the credit worthiness of Norway's banks which, in previous years, have been held in high regard by rating agencies. When the market went sour, so too did the agencies. Comparing a statement made recently by the head of the central bank with one made by his predecessor, they assessed it to be no more than e liquidity reaffirmation; whereas the previous central bank head had been prepared to reaffirm the banks' solidity.

Norway's central bank, however, recently intervened to reaffirm its support of the banks in a bid to lessen doubts the creditors hold about the banks' liquidity.

Mr Loeddesoel, however, maintains that DnC's liquidity is "very good... We are givers in the *market, placing a lot of funds*".

DnC's critics at home are claiming that the bank's "globalisation" is nothing more than gambling abroad. Mr Loeddesoel says that "we have undertaken this involvement within the premise of a specific strategy".

Earnings from foreign exchange activities seem to confirm this. Although earnings from this activity will drop this year, the bank has seen a fourfold earnings growth in this area since 1984. In 1986, DnC earned NKr596m from foreign exchanges, NKr308m in 1985, and NKr145m in 1984.

One strain on DnC was eased by the central bank's recent decision to drop its primary reserve requirement, which at one point was as high as 17 per cent.

The bank has also implemented a new instrument in the "perpetual loan" which has strengthened its solidity. In addition to the primary perpetual subordinated loan capital of $280m, which it raised in 1985, the bank raised a further $300m in 1986. The new loan ranked as ordinary bond debt, but DnC has an option to convert it, in tranches, into primary perpetual subordinated loan capital.

Although the bank's board has approved the conversion of the new loan to a perpetual loan, DnC awaits acceptance by Norwegian authorities.

The bank is not obligated to repay the $280, as perpetual loans have no maturity. However, DnC has the option to raise money on the share issue through its resale.

Domestic expansion has also been aggressively undertaken by the bank. Several new district offices were opened in 1986, in addition to nine new branches.

Strain between the bank and *its domestic* customers has also been felt as interest rates have continued to rise. Although DnC maintains that a fall in the interest rate will improve the possibility of obtaining satisfactory results for 1987, and that the present level of interest rates have a negative effect on the bank's operating result, the bank has followed suit in adjusting interest rates to the high levels of its competitors.

It did this by excluding increases on housing loans but raising rates on loans given for consumption purposes.

When DnC releases its results for 1987, due out in February, losses probably wouldn't come as a major surprise to its shareholders, who may again be forced to forfeit their dividend payment.

It will, however, be of little comfort for them to learn of an increase in the group's total assets: They are expected to rise beyond NKr135bn, from NKr126.4bn in 1986 and NKr91.3bn in 1985.

At the end of the eight-month period DnC recorded net profits of NKr300m, compared with NKr203m in the same period last year. The bank's operating profit, however, fell to NKr875m from NKr986m, in spite of a reduction in operating expenses from 3.29 per cent of average total assets in 1986 to 3.02 per cent.

In October, DnC warned that the sharp increase in the US interest rate resulted in losses in the foreign exchange and securities' sectors for some of its units, and that the results "were not satisfactory".

Karen Fossli

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday January 11 1988

INTERNATIONAL BONDS

Wave of new issues triggered by rebound in dollar

BUSINESS in the Eurobond primary market was surprisingly brisk last week as syndicate managers shook off their pre-Christmas lethargy and launched the highest volume of new issues for several months.

The context was a relatively stable US Treasury bond market – at least until the release of stronger-than-expected US employment data on Friday – and a rebound in the dollar. Additionally, the almost complete dearth of new issues in the weeks before Christmas had left investors with plenty of spare cash.

But because the dollar rebound was a turbulent one – the currency endured swings of up to 4 per cent an hour – market conditions were still tough and most of last week's new issues had to be supported by their lead-managers.

Bonds in a variety of currencies emerged, including the largest fixed-rate D-Mark issue yet seen, a DM1bn deal for Austria. The week was also marked by the launch of the first Japanese equity warrants bonds since last October's stock market crash.

However, fixed-rate bonds in the Eurodollar sector were notable by their absence. Although professionals were quite active in the market last week, retail investors, nervous of the dollar's swings, continued to eschew it.

Also, in spite of a progressive narrowing of seasoned bonds' yield differentials against US Treasuries as new bonds have dried up, many borrowers are still finding it cheaper to fund themselves in the US domestic market. Last week, BP America launched a $250m deal there, which followed a 30-year deal for Barclays North American Capital launched shortlybefore Christmas.

A number of lead-managers were focusing on two of the higher-yielding currency sectors, Eurosterling and Canadian dollars, hoping to attract Continental investors whose reinvestment needs had been thwarted by a recent dearth of new issues.

Of the two plans, the focus on Canadian dollars seemed far better conceived because dealers do appear to have seen reasonable investor demand.

Unfortunately, on Thursday afternoon, syndicate managers made their classic mistake of all spotting the same opportunity simultaneously, and the market was glutted with three deals on similar terms.

Not helped by a fall in the secondary market, Ford Credit Canada's and CIBC Mortgage Corporation's bonds were both trading well outside their fees by Friday afternoon. A bid of less 1⅞ on the bond for Household Mortgage, which had been thought the least attractive of the three, looked artificial as the issue had earlier been quoted as low as less 2⅜ bid.

Dealers agreed the best of last week's Canadian dollar offerings was the first: a three-year deal for Finnish Export Credit launched on Wednesday. This was seen as combining both the right sort of name and the right pricing for Continental investors' tastes and on Friday traded only slightly outside its fees.

The two Eurosterling issues had an even harder time of it, as the gilt market weakened mainly on domestic economic concerns and following the announcement of new government funding.

The £75m bond for Toyota Motor Credit struggled the most, in spite of the borrower's sparkling name, as its initial yield spread of about 15 basis points over the chosen gilt looked paltry. By Friday this was quoted at less 3 bid.

However, Abbey National also failed to capture the market's imagination with its five-year bond, even though the borrower, unlike other UK building societies, had not tapped the sterling fixed-rate market before.

It was launched on a yield differential of 55 basis points – considered fair – which was where, according to lead manager Shearson Lehman Brothers, it finished the week. Shearson vehemently denied suggestions that the issue was giving a yield about 10 basis points more towards the end of the week.

Dealers were surprised to find as many as three new issues had surfaced in the European currency unit sector. This market has fallen into such neglect that Kredietbank, one of the main market-makers, recently called a meeting to discuss the illiquidity and unprofessional trading habits that, it says, have emerged in it.

The answer was that swap opportunities opened up enabling BP and Deutsche Bank Finance to raise dollars at rates below London interbank offered rate.

Unfortunately, tight pricing and the sharp rise in the dollar on Wednesday combined to lead to a lacklustre performance for BP's deal. It was quoted at one point at less 2½ bid, against 1⅞ per cent fees, although the lead-manager said sales were made at about less 2.20.

More successful was the EIB's issue: this was both not linked to a swap and for a name likely to appeal to the Japanese.

However, if last week's reopening of the fixed-rate market was hardly a blow-out success, dealers agreed the reopening of the Japanese equity warrants bond market was a well-handled affair.

Thursday saw the launch of two bonds following a smart rally in Tokyo share prices. This was fuelled by the higher dollar and a change in Japanese accounting rules giving relief to Tokkin funds, designed to allow short-term investments in the securities markets which are facing large losses on equities.

The lead-managers professed themselves nervous ahead of the launch of the bonds for Hokkai Can and Joshin Denki. But in the event indicated coupons of 5 per cent – up to 1¼ per cent higher than those prevailing before the stock market crash – proved sufficient. On Friday, both bonds were quoted at around 105 against par issue prices.

Even a buoyant Swiss franc foreign bond market looked an incongruous place in which to launch a SFr100m bond for the Bank for Foreign Economic Affairs of the USSR, marking the first public bond for the Soviet Union since 1917.

However, it proved a surprising success. The lead-manager assembled a healthy-looking underwriting group, although Deutsche Bank (Suisse) was not included in the list. Terms will not be fixed till Wednesday, but the syndicate was invited into the deal at an indicated 101 issue price, ½ point higher than some had been expecting.

Dealers in D-Mark bonds largely ignored the dollar, focusing mainly domestic factors such as concerns about growth in the Federal budget deficit.

Also, domestic D-Mark bonds came under selling pressure last week as investors switched into the Eurobond sector. This was because of increasing worries about withholding tax, which is expected to be imposed on domestic securities from next year: some dealers were expecting an announcement on this subject soon.

The yield advantage of government bonds over sovereign Eurobonds widened by about 20 basis points, and dealers said the DM1bn bond for Austria might well come to be traded as a kind of surrogate government bond. It met a strong reception and was quoted on Friday at less 1.35 bid, against 2½ per cent fees.

Clare Pearson

EUROCREDITS

Little profit amid growing debate on multi-option facilities

A GROWING unease seems to be emerging among bankers about what they see as a lack of adequate credit differentiation in standby financings for corporate borrowers.

Simply stated, many bankers believe that second and third-line companies have not been paying a sufficient premium over what is paid by prime names for the multi-option facilities which dominated the international loans market last year.

Bankers readily acknowledge that if profit were their only motive, few such deals would be done: banks join because they see it as the only way to cement relationships with their corporate customers.

Participation in the financings, it is hoped, will pave the way to other business with the companies, although it is clear that much of this is not particularly profitable either.

Few bankers expect that the cost of using the market for prime-name companies will rise much, and there is precious little room for it to fall much further unless banks plan to arrange the financings free of charge.

The main questions are whether these bankers' concerns will be translated into fact and whether there will be an increased pricing differentiation according to credit quality in the market?

The few deals announced last week by UK corporate borrowers appeared to send conflicting signals in the debate.

Suggesting that terms might be improving from the banks' point of view was a £100m multi-option facility led by National Westminster Bank for John Mowlem, the civil engineering group.

This five-year facility, extendible at the lenders' option for a further two years, carries a facility fee split 12.5 basis points and 7.5 basis points according to whether it is deemed unavailable or available. The margin is 20 basis points and there are no facility fees.

Part of this is the rearrangement of a £70m facility signed in June 1986. That facility carried a 37.5 basis point margin and, although that underlines the extent of tightening of terms in the past 18 months, the current fees and margins, according to bankers, are more than the borrower would have had to pay before the stock market collapse in October.

On the other hand, Credit Lyonnais is arranging what must be viewed as an aggressively-priced multi-currency facility for the Leeds and Permanent Building Society.

This is essentially a three-year deal, with a facility fee split 6 basis points and 3 basis points. It carries a 10 basis point margin but lenders, not the borrower, pay the reserve assets costs, up to a maximum of 7.5 basis points if the funds are drawn in sterling.

A utilisation fee starts at 2 basis points for usage of between 33 and 67 per cent and 4.5 basis points above that.

In other deals, NatWest is arranging a three-year MOF for Sketchley, the dry cleaning group.

In the US, NCR Corporation and NCR Credit are completing the documentation on a three-year multi-currency standby of up to $262m, arranged by Citicorp. It is understood to carry a commitment fee of 6.25 basis points and a margin of 15 basis points.

It is designed as a back-up to commercial paper programmes, and the company is evaluating whether or not to launch a Euro-CP programme.

In Euro-CP, several deals were announced. The largest was a $300m programme for the prime-rated Generale de Banque, Belgium's largest bank, borrowing through its Luxembourg subsidiary. J.P. Morgan Securities arranged the programme, and Generale itself, together with Shearson Lehman and Union Bank of Switzerland are also dealers.

Merrill Lynch said it was appointed sole dealer on a $100m programme for Boral of Australia. It said it further arranged a $150m programme for Cassa di Risparmio di Padova e Rovigo, for which Svenska Handelsbanken and UBS are also dealers.

The $200m revolving underwriting facility Merrill arranged for Great Western was increased to $350m, while a $200m deal for Montgomery Ward through SBCI has been increased to $260m.

Stephen Fidler

Texaco to write off $4.9bn and launch major sale of assets

BY JAMES BUCHAN IN NEW YORK

TEXACO, the US oil company which was driven into bankruptcy by a long-running legal dispute with Pennzoil, has said that it is going to write off $4.9bn against the value of its assets to settle the dispute and restructure its operations.

The suburban New York oil company also said that it would be selling interests in its refining operations to finance a special payment of $3bn to settle the dispute with Pennzoil. The assets to be sold also include about 60m barrels in US oil and gas reserves which are expensive to exploit, and exploration acreage. Texaco said it would raise at least $3bn from the disposals.

"The restructuring will focus on a rearrangement and downsizing of refining and marketing assets, permitting the company to concentrate on its more profitable exploration and producing and other activities," said Mr James Kinnear, Texaco chief executive.

The write-off, which will be taken in the form of a charge to fourth-quarter earnings, is by far the largest one-time loss of equity in US corporate history. Mr Kinnear said: "The consequences of the Pennzoil litigation cost us valuable time in making the adjustments needed to keep pace with a rapidly changing energy industry."

The write-off comprises an after-tax charge of $2.8bn to cover the Pennzoil payment and $2.1bn to cover the loss in value of various assets in the course of the bankruptcy proceedings, including $850m in the assets to be sold. The company is also making special tax provisions.

Texaco settled with Pennzoil just before Christmas, after three years of bruising legal battles over its 1984 purchase of Getty Oil. Texaco is now seeking to emerge from bankruptcy.

St Gobain and Michelin join options market

TWO STOCK options, based on the shares of Saint Gobain, the diversified glass maker, and Michelin, the tyre group, will be added to the French options market by the end of this month, taking the total number of share options traded to eight, Reuter reports from Paris.

Mr Alain Morice, president of the options market regulatory authority (SCMC), said a further two stock options would be added to the market at quarterly intervals through 1988, bringing the total number of options traded to around 15 by the end of the year.

The options market began operating in September 1987. The six options currently quoted are Elf Aquitaine, the energy group; Compagnie du Midi, the financial services company; Peugeot, the motor manufacturer; Lafarge-Coppee, the cement maker, Paribas, the investment bank; and Thomson CSF, the electronics and defence contractor.

He said the stock options market (Monep) had functioned well, with 400,000 contracts, amounting to FFr3bn, traded between the opening of the market on September 10 and the end of 1987.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	401.8	0.0	0.0	4,451.2
Prev	230.7	0.3	47.4	2,557.7
Other	275.4	0.1	77.9	893.5
Prev	379.3	0.0	32.4	164.9
Secondary Market				
US$	4,136.8	556.8	1,594.3	3,379.2
Prev	6,302.9	889.8	2,235.5	2,368.7
Other	3,457.2	312.5	769.0	2,629.2
Prev	7,418.5	512.1	882.1	6,496.1

	Cedel	Euroclear	Total
US$	6,084.3	8,435.8	14,520.1
Prev	6,178.7	7,454.3	13,633.0
Other	4,706.3	5,508.5	10,214.8
Prev	7,666.4	8,219.0	15,885.4

Week to January 7, 1988 Source: AIBD

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Institutions keep their distance

IF THERE were any doubts in the gilt-edged market that the next move in base rates would probably be up, Mr Robin Leigh-Pemberton's speech to the Dundee and Tayside Chamber of Commerce and Industry on Thursday should have put them to rest.

Not only have many market analysts been predicting this but the market has been saying so as well. The key three-month interbank rate rose to 9.13 per cent on Friday, more than anticipating at least a ½ point rise in base rates. Since the last cut in base rates in early December long gilt yields – which usually track base rates – have diverged significantly.

The market weakened noticeably throughout the course of the week. The announcement of this Wednesday's £1bn gilt auction, a lack of retail interest, fears over a base rate rise, and an assumed rift between the Bank of England and the Treasury over monetary policy because of the strength of the Governor's speech were all cited by analysts as possible explanations for yields at the long end closing the week at 9.9 per cent.

The Governor's speech was not the result of a mistake, a rift with the Treasury, or pique on the part of anyone. It was an attempt to address some fundamental concerns in the markets over the aims of monetary policy, and to remind industry that it will have to pay for excessive pay settlements.

The speech was, however, more about shaping perceptions than telegraphing punches. Although a base rate rise in the near future cannot be ruled out it was thought that if the Bank showed its determination to move on base rates the effect on the markets may make it unnecessary.

There have been doubts expressed over the Government's determination on the inflation front in general and exchange rate policy in particular. The Governor's forceful restatement of exchange rate policy – its anti-inflationary nature – ought to have been of comfort to the inflation bears in the market.

Although the speech was an assessment of the current situation rather than a series of policy prescriptions, it was also an attempt to point out that not all the weight of corrective policy should be borne by monetary policy. This was clearly targeted at the Chancellor as he begins to formulate his Budget, which is widely expected to include some substantial tax give-aways.

While the Governor's speech generated some excitement in the gilt market it did little for its tone. The much vaunted hope that domestic institutions would return in strength to gilts in the new year began to look like a bad joke. Will this week be any better?

The £1bn gilt auction failed to attract a lot of investor interest last week. There were suggestions of some foreign interest, but precious little from UK institutions.

There has been trading in the auction stock – Treasury 8¾ 1997 "C" – in its "when issued" form and at close of business on Friday the stock was being quoted on a yield of around 9.86 per cent, representing a slight discount on comparable maturities. This is due to the element of gearing in the stock, a result of it being partly paid.

It is clearly too early to predict how the auction will be received by investors but its FOTRA (free of tax for residents abroad) status and ability to be hedged in the futures market are strong points in its favour, especially for the foreigner.

It seems likely the Chancellor will have the opportunity to cut not only the basic rate of tax by 2p but also cut higher rates as well in the coming Budget. If he reduces the top rate of tax from 60 per cent to 50 per cent, Mr Paul Temperton at Merrill Lynch believes the private investor in gilts should switch from low coupon to medium coupon stocks.

Currently the Treasury 8 per cent 1992 and Funding 6 per cent 1993 yield about 4.34 per cent at a 60 per cent tax rate. If prices remain constant then at a 50 per cent tax rate the after tax yield on the 8 per cent stock is 5.16 per cent, while the 6 per cent stock's yield is 4.98 per cent. Index-linked stocks are also recommended.

By getting in early, though, Mr Temperton says investors would also benefit from capital appreciation because the 18 basis point spread, as in the above example, would tend to narrow as prices adjust.

The table on December 29 of gilt analysts' forecasts said Hoare Govett predicted 8.5 per cent long gilt yields by year-end. It should have read 9.5 per cent. The average of the forecasts is therefore 9.325 per cent.

Simon Holberton

US MONEY AND CREDIT

Jobless fall triggers retreat in bond prices

IF THAT was the traditional new year's rally, it was not much but it could be better than anything US financial markets see for some time.

The week began so well. US stock prices, bond prices and the exchange value of the dollar all rose smartly at the beginning of the week, as if the financial markets had put the horrors of 1987 behind them. On Wednesday and Thursday all three markats ground to a halt, and on Friday they were in full retreat – in the case of stocks, quite drastically.

Friday had the clammy feel of October 16 of last year. By the end of the day, long-dated bonds had given up all the week's price gains, with the benchmark 30-year Treasury bond yielding 9.135 per cent. Short-term rates were also well up, with three-month bill rates up at 5.87 per cent. The stock market collapsed 140 points in heavy late trading. Even the dollar was weak.

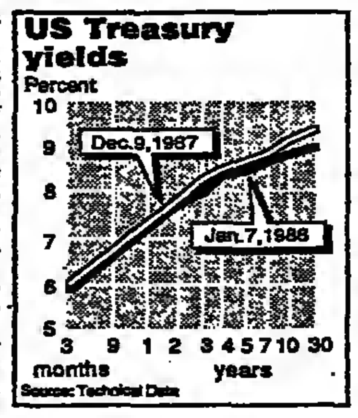
The trigger for Friday's price fall in stocks and bonds was the report on employment in December, which showed a drop in the jobless of 0.1 of a percentage point to 5.8 per cent, the lowest level since 1979. The message was bearish for the bond market: far from slowing up as a result of the stock market crash in October, the US economy "is entering the new year at a rapid clip," according to Mr Philip Braverman, money market economist at Irving Securities.

With the dollar weakening and driving up import prices, the last thing bond investors need is the prospect, however remote, of wage pressures out of a tight labour market. Once again, the markets had to face the spectre of tighter monetary policy. And the stock market is so jumpy, that the slightest hint of more expensive money is enough to drive down prices.

Even without Friday's collapse in stocks, this week was going to be "one of the most difficult we've had for a long time," as Mr Bob Brusca of Nikko Securities said earlier that day. Financial markets were already petrified by the prospect of next Friday's brush with destiny in the form of the US trade figures.

The figures may very well show that the US trading performance has improved. But betting on an improvement in US trade has been a cast-iron way to lose money in the bond market over the past 12 months. And last Friday gave a taste of how the markets could react to disappointment.

If the figures next Friday are bad, interest rates could well rise to defend the dollar, and the stock market will fall. If interest rates go down to defend the stock market, the dollar will tumble. Either way, the outlook for the bond market is not very good.



Last week's early rally – if that is the right description for a two-point gain in long maturities – was always a tenuous affair. It was entirely the work of world central banks, which effected one of the most suave and brutal bear-squeezes seen on the foreign exchange markets for a long time.

Having watched, seemingly helpless, while the markets sold the dollar down to 121 yen in the dying moments of the old year, they intervened with such vigour in the new that the short-sellers were crushed. Between Monday and Thursday, the dollar rose almost 10 per cent against the yen, which is going it a bit even by the standards of last week's volatile markets.

Central banks can whip the foreign exchange markets, but they cannot reform them. The central banks simply do not have the firepower to alter the course of the market for more than a short while. By half way through last week, even wary foreign exchange dealers ware trading on the basis that tha dollar might have overshot too much on the upside.

As for their colleagues in bond trading, "the market will not believe in dollar stability until there is some reduction in consumer demand and an improvement in the trade deficit," according to Mr Philip Braverman, money market economist at Irving Securities.

The bond market is imploring fate that the trade deficit for November will be anywhere near as bad as the $17.6bn that was reported for the month of October. The middle estimate, from a group of 39 economists surveyed on Friday, is for a deficit of $15bn, with much of the decline attributable to the season. But the range of forecasts surveyed by Money Market Services of Redwood City, California is large, from $13.5bn to $17.6bn.

For most of the market, the upper estimate is too horrible to contemplate. The markets have decided that central banks would not have wasted their interventionary ammunition without good reason to hope that imports into the US are beginning to contract. "The central bankers and finance ministers would not have timed their intervention just so they could fall flat on their face a few days later," Mr Braverman says.

This week will show.

Apart from the trade figures due on Friday, there are three sets of economic statistics due for release this week. With them are the median estimates of up to 40 economists surveyed by Money Market Services:

- Retail sales in December, due on Thursday. The median forecast is for a rise of 1 per cent, with a range of from unchanged to up 2 per cent.
- Producer prices in December, due on Friday. The expectation is for a rise of 0.1 per cent in producer prices. The estimates range from a decline of 0.1 per cent to a rise of 0.4 per cent.
- Industrial production in December, due on Friday. The range of expectations goes from unchanged to an increase of 0.8 per cent, with a median estimate of an increase of 0.3 per cent.

James Buchan

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three-month Treasury bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six-month Treasury bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three-month prime CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30-day Commercial Paper	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
90-day Commercial Paper	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US BOND PRICES AND YIELDS (%)

Source: Salomon Bros (estimates).

NRI TOKYO BOND INDEX

Source: Nomura Research Institute

Citibank buys rest of Vickers US unit

CITICORP'S Citibank subsidiary has acquired the 95.1 per cent of Vickers Da Costa Securities Holdings it did not already own, for undisclosed terms, Reuter reports from New York.

The US banking group had bought 4.9 per cent of the brokerage in 1984, at the same time as it bought a 29.9 per cent stake in Vickers' London operation and a controlling interest in the firm's Tokyo unit.

Citicorp has since raised its stake in Vickers' London operation to 80 per cent and plans to acquire the balance of the unit by the end of 1988.

While Citicorp had long intended to acquire the rest of Vickers' US operations, it said it had decided to buy the firm now because of losses sustained by tha brokerage during the October 19 share market drop. "This event hastened the completion of the transaction."

The US bank declined to specify how much Vickers Da Costa Securities had lost, but said it was well below published figures of $10m to $15m.

Citicorp already owns two New York Stock Exchange member brokers, Lynch Jones and Ryan and Newbridge Securities. Through its controlling interest in Vickers' Tokyo operations Citicorp is also a member of the Tokyo Stock Exchange.

The banking group also provides discount brokerage through its Citicorp Brokerage Services unit.

FT/AIBD INTERNATIONAL BOND SERVICE

	Issued	Bid price	Chg on week	Yield
NIPPON SEIKO 5⅛ 99	70	210¾	+2¾	4.03
ROCKEFELLER CENTER 0 00	962	25⅝	+⅛	-71.87
SOUTHWEST AIRLINES 6⅛ 98	55	73¾	-1	98.21
SWISS BANK CORP 6⅛ 90	120	121	+7	-9.54
TEXACO CAPITAL 11⅛ 94	500	116⅛	+⅞	30.32
TOSHIBA CERAMICS 3 00	50	152	-2¾	-3.07
XEROX CORPN 5 88	75	96⅝	-⅛	130.02

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=Current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=percentage premium over current share price. Bond warrant yd=yield of warrant price.
Closing prices on JANUARY 8

Assubel Life hints at alternative bid to thwart AG

BY TIM DICKSON IN BRUSSELS

THE BATTLE for control of Assubel Life, Belgium's third largest insurer, has taken a new turn following official clarification of the means by which the company can defend itself against an unwelcome predator.

Assubel has issued a statement which made clear that it could use a controversial article of association to reject an unwelcome takeover bid from the AG Group, its domestic rival, by mounting an alternative offer.

It is understood, however, that the Banking Commission, the government-controlled body which discreetly polices stock market activity, has insisted that the price should be equivalent to the BFr6,000 ($174) per share which is on the table from AG, that a prospectus must be published and that all shareholders should be included in the offer.

The development follows Tuesday's dramatic move by Societe Generale de Belgique, Belgium's largest industrial and commercial holding company which effectively controls AG, to stop Assubel from increasing its authorised capital at an egm and thereby bolster its defences.

A majority of the Assubel board, plus a group of shareholders which includes Groupe Bruxelles Lambert, Belgium's other big holding company, is in favour of a plan to sell Assurances Generales de France, the Paris-based insurer, a 20 per cent stake in return for an undisclosed sum.

Any defensive offer made under Assubel's so called Article 6 to head off AG would be financed by GBL, AGF and Cobepa, another Belgian company friendly to the Assubel board. Their reaction is likely to be crucial with the AG offer due to expire at the end of this week.

● The Brussels Bourse, meanwhile, is also buzzing with renewed rumours about who is buying shares in Societe Generale. Turnover in the stock has been buoyant most of the week, peaking at more than 100,000 shares on Friday, close to the levels of last summer when the company was the subject of intense bid speculation.

Societe Generale shares rose again on Friday, from BFr2,400 to BFr2,700, but while the same two small Brussels stockbroking firms as before appear to be responsible nobody is any more certain who is behind them.

C$1bn-plus offer likely for Steinberg food group

BY ROBERT GIBBENS IN MONTREAL

AN OFFER worth well over C$1bn (US$778m) could be made for Steinberg, one of Canada's top five food distribution, merchandising and property groups.

The 70-year-old concern grew phenomenally in eastern Canada during Canada's post-war boom, under the leadership of the late Mr Sam Steinberg. Since his death several years ago, the company has been through some rough times, but has surged back to prominence led by Mr Irving Ludmer, president.

However, the Steinberg family is split over administration of trusts voting 40 per cent of the common stock and over sale of control. One group is seeking court approval to oust certain other family members as trustees.

Steinberg has 23m shares outstanding, including 6m voting common and 17m non-voting class A. The voting stock is held by the family trust and members, the non-voting by the public. The non-voting stock does not have takeover protection ensuring tha holders the same treatment if an offer is accepted by the family.

The company has confirmed that an offer worth more than C$1bn was made last August for all the shares, but it could not agree on whether to accept. Now another offer is in the wings, again for all the shares.

Major Canadian companies such as Seagram, George Weston, Imasco and several US groups have been mentioned as possible suitors, but some analysts believe a management buyout led by Mr Ludmer and others is still possible.

Including the property and a highly profitable US subsidiary, analysts estimate Steinberg is worth between C$50 and C$60 a share or between C$1.25bn and C$1.5bn in all.

Allan Ng faces trial for insider trading

By Roger Matthews in Singapore

MR ALLAN NG, one of the brightest of the younger generation of Singaporean entrepreneurs, is to face trial on a charge of insider trading.

He is accused of having purchased 1m shares in Sealion Hotels with prior knowledge that the company had asked the Singapore Stock Exchange for the suspension of its shares to be lifted.

Mr Ng, who is pleading not guilty, has been released on bail of S$1m (US$490,000) and his passport impounded. The purchase of the Sealion Hotels shares is alleged to have taken place on October 8, 1986, five days before official dealings resumed, on the basis of information received by Mr Ng from Standard Chartered Merchant Bank.

Three months after the alleged offence Mr Ng acquired through his company, First City Holdings, a further 23 per cent stake in Sealion, which was subsequently renamed First Capital Corporation.

First Capital then embarked on a busy programme of property acquisition with its share price being chased up in the bull market from just over 80 cents to a high of S$2.54.

Following reports last July that share dealings involving First City Holdings were being investigated by the Finance Ministry's Commercial Affairs Department, First Capital's share price fell sharply.

This led to an offer by United Industrial Corporation to acquire First City's 23 per cent stake in First Capital and was followed by a general offer. UIC now has control of nearly 80 per cent of First Capital.

Mr Ng has been charged under section 103 of the Securities Industry Act, which came into force in August 1986 following the Pan-Electric crisis of 1985.

Until last summer Mr Ng had enjoyed a meteoric career rising in just 13 years from an assistant accountant to deputy chairman of United Overseas Bank. He resigned from the bank in 1985.

Ford Motor talks with FCA collapse

BY JAMES BUCHAN IN NEW YORK

FINANCIAL CORPORATION of America has fallen prey to new uncertainty with the breakdown of efforts to sell the sorely-troubled California financial services group to Ford Motor.

The Federal Home Loan Bank Board, the US Government regulatory agency, said late last week that it had stopped talking to Ford about a sale of Financial Corporation, which owns the largest US thrift institution, American Savings and Loan Association of Irvine, California.

Heavy loan losses have left American Savings short of federal capital requirements and all but wiped out the equity of its parent. Wall Street believes that the board cannot afford to close down the thrift operation because its own deposit-insurance division, the Federal Savings and Loan Insurance Corporation, cannot cover loan losses that could range from $2bn to $4bn.

Ford, which is believed to be interested in Financial Corporation's branch network and tax losses, was apparently not willing to take enough of this burden from the FSLIC.

Mr Roger Martin, a member of the bank board, said: "Differences ranging from the disposition of tax preferences to the amount of FSLIC assistance have caused us to pause and undertake a detailed review of all aspects of our negotiations with Ford."

For the moment, FCA will attempt to trade itself out of difficulty. But rising interest rates could well force a new round of foreclosures on loans, adding new losses.

Pillsbury to close 100 restaurants

BY JAMES BUCHAN IN NEW YORK

PILLSBURY, the large Minneapolis food group, is to tackle problems in its troubled restaurant business, which includes Burger King, the second-largest US fast-food chain.

The group said that the reorganisation, which would include the closure of 100 or more restaurants, would involve a charge to profits of $91m or $1.06 a share in the third quarter that ends in February. In its full year to last May, Pillsbury reported earnings of $181.9m or $2.10 a share on revenues of $6.13bn.

Mr John Stafford, who took over as chief executive from Mr William Spoor in 1985, said the company would abandon its three new fast-food "concepts" (Quik Wok, Bay Street, and Key West Grill), improve a string of Burger King restaurants and streamline its distribution business.

"By concentrating on fewer concepts, we will capitalise on our strengths and improve our overall performance," he said.

Last year, operating profits at Pillsbury's restaurant group fell 28 per cent to $219.2m despite a 4 per cent increase in revenues to $2.76bn. Sales at Burger King, which have recently lagged the market leader McDonald's, were unchanged.

Late last year, Mr Spoor, who largely built up Pillsbury from its origins as a grain business, returned from retirement to assist in the running of the company.

Negara takes over bank

BANK NEGARA, Malaysia's central bank, has assumed control of financially-troubled Co-operative Central Bank Bhd (CCB), the country's largest co-operative bank, **Reuter reports from Kuala Lumpur.**

"This course of action is necessary to allow us to undertake an assessment of CCB's assets and liabilities and continue investigations into the bank's affairs," the central bank said.

CCB posted a net loss of 331.1m ringgit (US$130m) in calendar 1986 following large provisions for bad and doubtful loans.

"The action would also enable us to conserve the assets of CCB in order to protect the interest of depositors and prevent its financial position from any possible deterioration," Bank Negara said.

CCB said Bank Negara's decision was totally unexpected: "We expected an injection of funds but certainly not a takeover", it said.

Tandem forcecast hits shares

BY LOUISE KEHOE IN SAN FRANCISCO

TANDEM COMPUTERS, the US maker of "fault-tolerant" main-frame computers, warned that its revenues for the quarter ended December 31 would be lower than expected.

The announcement prompted heavy selling of Tandem stock on Friday and the price fell 25 per cent, closing at $20¾, off $6¾. The Tandem announcement also triggered a sell-off affecting other high technology companies, including IBM and Digital Equipment.

According to stock market analysts, the disappointing news from Tandem, which has increased its revenues in every quarter for the past 2½ years, was a significant factor in Friday's stock market plunge.

Tandem said it was too early to say why its sales did not meet expectations. Company officials said: "We have not yet compiled final results for the first fiscal quarter but it appears that domestic business fell short of our expectations. International business was stronger than domestic business, reflecting the continued development of our overseas markets."

Tandem sells fault-tolerant computers to banks, airlines and other businesses that cannot afford to risk computer failures.

Ironically, one theory explaining Tandem's sales dip was that sales to stock brokerage firms may have declined in the wake of the October crash. About 8 per cent of Tandem's sales go to the securities business.

New management for Hong Kong SE

THE HONG KONG Stock Exchange has announced new management changes as part of a continuing shake-up since the arrest of three top officials earlier this month, **Reuter reports from Hong Kong.**

Mr Ronald Li and Mr Kenneth Wong, vice-chairmen, as well as members Mr Edward Woo and Mr Zee Kwoh Kung have been excluded from key committees overseeing discipline, finance and floor trading.

The exchange formed a 14-member management group to replace its governing committee last week. It later announced new members for its executive and listing committees and is now discussing changes in nine other minor committees.

The reshuffle began after Hong Kong's Independent Commission Against Corruption arrested Mr Li, Mr Jeffrey Sun, former chief executive and Mr Donald Tsang, listing department chief. They were released on bail and ordered to surrender travel documents but no charges were filed.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
St Bk New Sth Wales(b)‡♦	250	1998	10	⅜	100	Morgan Stanley	-
BP America (d)♦	250	1998	10	9½	99.3	Goldman Sachs	9.612
Joshin Denki♦	100	1993	5	(5)	100	Nomura Int.	*
Hokkai Can♦	80	1993	5	(5)	100	Daiwa Europe	*
CANADIAN DOLLARS							
Finnish Export Cr.♦	75	1991	3	10¼	101⅛	Bankers Trust Int.	9.799
Household Finance♦	75	1993	5	10¾	100¼	UBS (Secs)	10.549
CIBC Mortgage Corp.♦	100	1993	5	10½	100⅞	CIBC Ltd.	10.516
Ford Credit Canada♦	100	1993	5	10¾	101	J.P. Morgan Secs.	10.483
D-MARKS							
Nordic Inv. Bank(c)♥♦	100	1991	3	4½	100⅞	Morgan Stanley	4.364
Austria♦	1bn	1998	10	6¼	100¼	Deutsche Bank	6.216
SWISS FRANCS							
Primary In.Bk A'tralia♦♦	30	1992	-	4½	100½	SBC	4.386
Wuerth Finance Int.♦	75	1998	-	5¼	100	SBC	5.250
Bk For.Econ.Affairs USSR	100	1998	-	(5)	*	BKA	*
Nippon Tel.& Tel.♦	200	1998	-	4¾	100¼	UBS	4.718
Prov.of Saskatchewan♦	150	1998	-	4¾	100½	Credit Suisse	4.686
Sweden♦	200	1998	-	4½	100½	SBC	4.562
Belgium♦	100	1993	-	4¼	100½	Kredietbank(Suisse)	4.137
Credit Foncier de France♦	200	1998	-	4½	100	Credit Suisse	4.500
STERLING							
Toyota Motor Credit♦	75	1993	5	9½	101	UBS (Secs)	9.241
Abbey National♦	50	1993	5	10¼	101⅛	Shearson Lehman	9.823
ECUs							
BP Capital♦	100	1993	5	7¾	101	Deutsche Bk Cap.Mkts	7.503
Deutsche Bank Fin.♦	100	1993	5	7¾	101¼	Deutsche Bk Cap.Mkts	7.442
EIB♦	150	1996	8	8	101½	SBCI	7.742
LUXEMBOURG FRANCS							
Societe Generale♦♦♦	300	1993	5	7½	100¼	Sogenal	7.438
Jutland Telephone♦♦♦	300	1993	5	7½	100	Kredietbank Int.	7.500
Compagnie Bancaire♦♦♦	300	1993	5	7½	100¼	Bqe Paribas (Lux)	7.438
YEN							
Compagnie Bancaire(a)‡♦	10bn	1995	7	-55bp	100¼	LTCB Int.	-
Compagnie Bancaire ♦	10bn	1993	5	5¼	101⅛	LTCB Int.	4.876
Skopbank♦	3bn	1995	5	(e)	101⅛	IBJ Int.	*

♦Not yet priced. ●‡Private placement. ‡Final terms. [illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price	+ or -	Net Div.	Times Covd	Gross Yield	P.E. Ratio
§72	F.P.	-	77	70	Atlantic Securities 5p	76	+1	-	-	-	-
330	120	-	92	70½	British Petroleum	79½		N12.5	1.5	5.9	14.4
-	F.P.	-	4½	2	EFM Dragon Tst. Wrrnts.	4½		-	-	-	-
†	F.P.	-	268	231	English & Caledonian Inv.	231		-	-	-	-
350	F.P	22/1	284	234	Eurotunnel Units	241		-	-	-	-
-	F.P.	-	14½	10	Do Warrants	14½		-	-	-	-
†	F.P	-	125	77	Hard Rock & (R-Vtg) 2p	77	-1	L1.53	3.3	2.6	14.2
§100	F.P.	-	111	100	‡Hatfield Estates 10p	111	+1	R1.5	10.2	1.7	7.2
60	F.P.	-	82	66	How Group 10p	73	+2	R2.2	3.1	4.1	10.6
65	F.P.	15/1	100	93	Intl. Colour	98		L1.0	7.4	1.4	13.2
-	F.P.	-	362	262	Lefkochrysos NPV	312		-	-	-	-
†	F.P.	-	36	23	‡Mowat Group 10p	36	+1	-	-	-	-
§80	F.P.	-	101	86	Paragon Comms. 5p	86	-2	R2.5	3.4	3.9	10.3
§18	F.P.	23/12	22	19	‡Pathfinders Grp. 5p	22		b0.29	3.9	1.8	19.2
§100	F.P.	-	109	103	‡Shorco Grp.	109		R3.65	2.7	4.6	11.0
§114	F.P.	-	121	115	‡Sykes-Pickavant 10p	121		R5.25	2.0	5.9	11.4
§165	F.P.	-	220	200	*Takare £1	220	+2				
§70	F.P.	-	73	62	‡Trevian Hldgs. 10p	62	-1	R2.0	4.6	4.3	6.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
-	-	-	110	90½	Ansbacher(H.)9pc.Cnv.Sub.Ln.1998	102½	
§91.54	£50	11/2	50	48¾	Brit.&Comm.10½pc.Un.Ln.2012	48¾	-¼
♦	F.P.	-	121	113	Granada 7½pc.Cv.Pf	121	
100	F.P.	21/1	48	43	Housing Fin.5pc.Deb.2027	46½	
100	F.P.	21/1	757	700	Do. Zero Deb.2012	738	
-	F.P.	-	100¼	99½	N'wide Anglia 9¼pc 28.11.88	99¾	-¼
-	F.P.	-	100⅛	99⅝	Do. 9⅞pc 28.12.88	99⅞	+⅛
100p	F.P.	-	115p	100p	‡Wiltaire Fixed Rate Cnv.Cum.Red.Pfr.	111p	

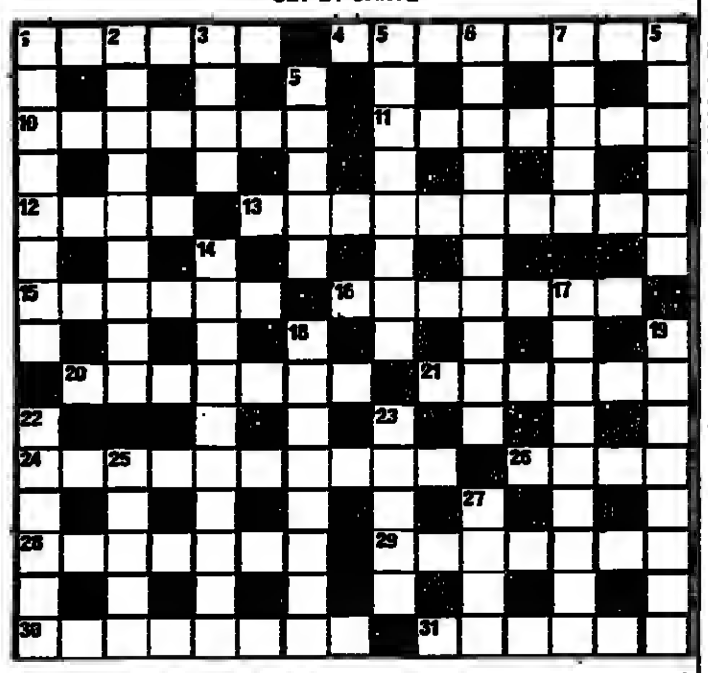
RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
28	Nil	-	10pm	7pm	Maxiprint	8pm	
140	Nil	-	49pm	30pm	Mecca Leisure 10p	42pm	-2
27	Nil	-	2½pm	1pm	Wharway 10p	1½pm	-½

Renunciation date usually last day for dealing free of stamp duty.a Annualised dividend.b Figures based on prospectus estimates.d Dividend rate paid or payable on part of capital, cover based on dividend on full capital.g Assumed dividend and yield .L Estimated annualised dividend,cover and p/e based on latest annual earnings.N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross.R Forecast annualised dividend,cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures.Z Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided. ¶ Issued by tender.♦ Offered to holders of ordinary shares as a rights.† Introduction.§Placing price.†† Reintroduction.♦ Issued in connection with reorganisation merger or takeover.‡ Allotment price.‡ Unlisted securities market.♦ Official London listing.□ Including warrants entitlement.* Third Market.

FT CROSSWORD No.6,526

SET BY DANTE



ACROSS

1 Unrestrained desire to get on (6)
4 Flinch because of a handicap (8)
10 Stays late? (7)
11 Shape incorporating one part of the body or another (7)
12 Out-and-out row (4)
13 Easy to identify the literary character (10)
15 Governor from Sparta (6)
16 Ginger's stupid laugh (7)
20 A long wandering tale (7)
21 Restrict a Christmas food consignment (6)
24 Reserve player (10)
26 Company with little work is to shut up (4)
28 He puts things by but it's more difficult with nothing coming in (7)
29 Refuse to boast about one's years (7)
30 We hear she needs people (8)
31 Applause is so long (6)

DOWN

1 Key worker in army uniform (8)
2 Put up on time and knocked into shape (9)
3 Neglect to ring a man up (4)
5 Exchange of gunfire's declining (8)
6 Time of occupation (7,3)
7 Signal fear (5)
8 Oriental wrapper for a book Kipling wrote on love (6)
9 Awake to what the Christmas pudding needs (5)
14 Game in which Tom goes nap (4,6)
17 Page one is all about spying (9)
18 Achievement sure to be written about in newspapers (8)
19 Played with babies? (8)
22 Hurd upsets a mine-leader in the N. East
23 Present day maxim (5)
25 Persuades the grass to come up (5)
27 Chief means of support (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 25.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Sceptre Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 4970/4045

Sceptre Global Gth Ac.	27.3	29.1	+0.2	—
Do. Income	27.3	28.9	+0.2	4.19
Sceptre European Acc.	21.6	23.0	—	—
Do. Income	21.5	22.9	-0.1	0.12
Sceptre UK Eq Inc Acc.	34.2	38.2	-0.2	—
Do. Income	34.7	36.6	-0.2	3.96
UK Cap Gth Acc	22.8	24.1	—	0.75
Sceptre Pac Basin Acc	26.1	27.8	+0.5	—
Sceptre Mangd Exempt*	139.8	145.7	-0.1	—

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(a)
28 St Andrews Sq, Edinburgh 031-556 9101

Intnl Income Units	123.6	131.5	—	3.95
Intnl Accum Units	189.0	201.1	—	3.35
UK General Acc	37.2	39.9	—	3.32
UK General Inc	35.8	38.3	—	3.32
American	26.9	28.8	+0.2	0.44
European	34.1	36.5	+0.3	0.94
Japan	50.8	54.5	—	—
Technology	30.7	32.1	—	1.42
Performance Trusts				
Far East Perf Tst	16.6	17.8	-0.1	0.64
High Inc Perf Tst Inc	23.6	25.2	-0.1	5.37
High Inc Perf Tst Acc	24.0	25.7	-0.1	5.37
Worldwide Tact Perf Tst	26.8	28.7	—	—

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	206.3	220.7	-1.3	2.75
Columbus (America)	127.4	136.3	+2.0	1.26
Marco Polo (Pacific)	192.8	206.3	-1.9	0.38
Da Vinci (European)	209.6	224.2	-0.4	1.65
Drake	49.5	53.0	—	2.86

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	198.7	221.4	-0.3	3.01
UK Smllr. Cos. Equity	208.7	224.4	+1.2	2.39
UK Special Situations	57.8	61.5	+0.6	3.28
Income Plus	50.5	53.8	+0.1	5.94
European	134.8	144.9	+0.6	1.82
Far Eastern	49.3	52.5	—	2.80
Japanese †	47.5	50.4	-0.8	0.25
North American	112.8	120.1	+0.5	1.76
International Growth	106.2	113.0	+0.4	2.67
Worldwide Venture	51.7	55.0	-0.1	2.42

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-556 2941/8113

Equity Growth Tst	16.94	18.02	—	3.00
International Growth T.	17.90	19.16	+0.07	1.20
Global Income Tst	18.96	20.29	+0.03	4.59
Market Leaders Tst	16.71	17.89	-0.15	2.89

Scottish Unit Managers
48 Melville Street, Edinburgh EH3 7HF 031-226 4972

Pacific Fund (z)	70.6	75.0	-0.1	1.68
Income Fund	52.3	54.5	+0.5	4.47
European (z)	31.5	33.5	—	2.06
Nth American (z)	27.3	29.0	+0.3	0.85
Intl Growth Fund	404.2	429.2	+8.3	2.04

Scottish Widows' Fund Management
PO Box 902, Edinburgh EH16 5BU 031-655 3724

Peg Eq Acc	314.9	335.1	-1.6	3.43
Peg Eq Inc	264.5	281.5	-1.5	3.43
Peg High Inc Acc	155.8	165.8	-1.1	4.75
Peg High Inc	146.4	155.8	-1.2	4.75
Peg Europe Acc	112.0	119.2	-0.1	1.70
Peg Europe Inc	110.9	118.0	-0.1	1.70
Peg N. Amer	88.8	94.5	-0.2	1.52
Peg N. Amer Inc	87.0	92.6	-0.2	1.52
Peg Pacific Acc	211.5	225.1	+0.5	—
Peg Global Acc	118.1	125.7	-0.6	2.52
Peg Global Inc	116.2	123.7	-0.6	2.52

Scotland Funds Mangmt Ltd
30 City Road, London EC1Y 2AY 01-638 6011
Dealing: 01-628 6626

American Majors	54.9	58.5	+0.4	0.00
Amer Tech & Genl Fd	82.8	88.1	+0.5	0.00
European Growth	31.5	33.9	-0.1	0.79
European Income	50.3	53.6	+1.4	2.19
European Special Sits	19.3	20.8	—	0.00
Energy	669.1	720.4	+3.5	1.65
Far East Emerg Econs	19.1	20.4	—	0.00
Intnl Growth Fd	38.2	41.1	+0.3	1.60
International Income	56.8	61.2	+0.5	5.74
Jap Tech & Genl	102.8	110.7	-1.7	0.00
Pacific Fund	176.4	189.9	-2.0	0.00
Secure Income Fd	186.7	200.0	+0.1	4.26
Small Co's Fd	50.0	54.2	+0.3	1.98
Special Sits	243.5	262.2	+7.6	1.77
UK General Fund	37.7	40.6	+0.2	2.96
UK Top 100 Managed Fd	22.3	24.0	—	3.65

Smith & Williamson Unit Trust Mngrs

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-628 4955

TUUT Jan 04 88	201.1	213.7	—	3.27

Triton Fd Mngrs. Ltd.
Royal Lda. Hse. Colchester CO1 1RA 0206 764400

Triton General	139.8	148.5	+0.1	1.65

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3399

Convertible & Gilt	57.7	61.2	+0.1	6.69
Accum Units	58.7	62.3	+0.1	—
Income	79.1	83.9	—	5.14
Accum Units	79.1	83.9	—	—
Smaller Co's	85.8	90.9	+0.8	1.59
Accum Units	85.8	90.9	+0.8	1.59
UK Growth	87.4	92.6	—	1.46
Accum Units	87.4	92.6	—	—

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40933

British Growth Fd	56.1	59.7	-0.2	1.26
Technical Analysis Fd	50.3	53.4	-0.1	1.87

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisers: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	166.7	177.3	—	1.71
Friars Hse Inc Fd	145.4	153.8	—	3.42

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

United Charities	166.5	177.1	-0.1	4.38

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2465

Abingdon Gwth Assets	167.3	[illegible]	+7.0	2.36
(Accum Units)	170.5	[illegible]	+7.1	—
Far East & Gen	49.6	[illegible]	+0.2	0.00
(Accum Units)	49.6	[illegible]	+0.2	—
Master Portfolio	65.40	[illegible]	-0.452	3.04
(Accum Units)	66.94	[illegible]	-0.463	—
American & Gen	54.6	[illegible]	+0.5	1.85
(Accum Units)	55.1	[illegible]	+0.5	—
Growth	211.3	[illegible]	-2.1	2.41
(Accum Units)	316.9	[illegible]	-3.2	—
High Yield	266.8	[illegible]	-1.9	4.26
(Accum Units)	281.6	[illegible]	-2.0	—
Special Sits	51.4	[illegible]	+0.5	2.10
(Accum Units)	53.1	[illegible]	+0.5	—
Trustee	236.8	[illegible]	-1.9	4.47
(Accum Units)	251.7	[illegible]	-3.1	—
European Fund Inc	35.0	[illegible]	+0.5	0.85
(Accum Units)	35.1	[illegible]	+0.4	—

Wardley Unit Trust Managers Ltd (a)
99, Bishopsgate, London, EC2P 2LA 01-374 0961

INSURANCES

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	364.4	383.6	—	—
Eb'r Ph. Eq.	314.1	334.4	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	161.4	169.8	-0.6	—
International Acc.	123.5	129.9	+0.7	—
Property Acc.	121.8	128.2	—	—
Fixed Interest Acc.	146.2	153.8	-0.8	—
Money Acc.	134.9	142.0	+0.1	—
Bldg. Soc. Link Acc.	132.0	138.9	+0.1	—
Special Mngd. Acc.	141.9	149.3	+0.3	—
Phoenix/Framlington				
Intnl. Growth Acc.	83.6	87.9	+0.2	—
Amer. & Gen. Acc.	76.4	80.4	+1.4	—
Capital Trt. Acc.	169.9	178.8	+1.2	—
Japan & Gen Acc.	164.0	172.6	+2.0	—
American Tem. Acc.	75.6	79.5	+1.4	—
Recovery Tst. Acc.	162.5	171.0	+0.5	—
Special Mngd Acc.	135.5	142.6	+0.7	—
Phoenix/GT				
International Acc.	120.8	127.1	+1.0	—
US & General Acc.	91.2	96.0	+1.0	—
Amer Spec Sits Acc.	61.5	66.8	+0.6	—
Japan & General Acc.	155.8	164.3	-0.4	—
Far East & Gen. Acc.	128.4	135.1	+0.7	—
UK Capital Acc.	168.0	176.8	+0.2	—
European Acc.	129.3	135.0	+1.2	—
Special Mngd. Acc.	122.4	128.8	+0.4	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	267.2	281.3	—	—
Man Pen Inc 9 Cap Fds	343.1	361.2	—	—
Money Fund	110.7	116.6	—	—
Pens. Mngd Fd (Init)	84.2	88.7	—	—
Pens Mngd Fd (Acc)	95.0	98.8	—	—
Pens FT30 Fd (Init)	129.0	135.8	—	—
Pens FT30 Fd (Acc)	143.0	151.4	—	—
Pens O'seas MgFd (Init)	41.2	49.7	—	—
Pens O'seas MgFd (Acc)	52.6	55.4	—	—
Pens Fxd Int Fd (Init)	105.1	111.3	—	—
Pens Fxd Int Fd (Acc)	117.7	123.9	—	—
Pens Deposit Fd (Init)	100.3	105.4	—	—
Pens Deposit Fd (Acc)	112.0	117.9	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Jan 6	192.1	200.2	—	—

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd.	424.2	446.6	—	—
Equity Fd.	880.1	926.5	—	—
Intnl. Fd.	296.1	311.7	—	—
Fixed Int. Fd.	349.6	368.1	—	—
Prop. Fd.	299.8	315.6	—	—
Cash Fd.	232.6	244.9	—	—
Pacific Basin Fd.	156.1	164.4	—	—
North American Fd.	120.5	126.4	—	—
European Fd.	132.1	139.1	—	—
Holborn Balanced Gwth Fd	—	—	—	—
Holborn Strategic Gwth Fd	—	—	—	—

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	451.9	475.7	—	—
Equity	653.1	687.5	—	—
Global Equity	184.3	194.0	—	—
Fixed Interest	358.5	377.4	—	—
Property	299.4	315.2	—	—
Cash	136.8	144.0	—	—
Index Linked Gilt	157.3	165.0	—	—
Guaranteed	9.25	10.25	—	—
International Money	185.9	195.7	—	—
North American Fd.	51.1	53.8	—	—
Japanese Fund	99.9	105.2	—	—
European Fund	70.9	74.7	—	—
Special Situations Fd.	89.3	94.1	—	—
Communications Fund	76.6	80.1	—	—
Smaller Cos Fund	90.2	95.0	—	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Dec 23	117.59	121.10	—	—
Equity Fund Dec 23	£125.98	129.82	—	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
12Jan 12Dec	Exch. 12pc '13–'17	122¾	5.11	9.82	9.68

Undated

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
1Feb 1Aug	Consols 4pc	43⅜xd	29.12	9.53	–
1Jun 1Dec	War Loan 3½pc‡‡	37⅛	26.10	9.42	–
1Apr 1Oct	Conv. 3½pc '61 Aft	48¾	25.8	7.18	–
5Apr 5Oct	Treas. 3pc '66 Aft	31⅛	1.9	9.70	–
5Ja Ap Jly Oc	Consols 2½pc	26⅛	1.12	9.64	–
1Apr 1Oct	Treas. 2½pc	26⅛	25.8	9.57	–

Index–Linked

(1) (2)

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for April 1987: 101.8 and for November 1987: 103.4 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Jan Apr Jly O	Rep NY Corpn $5	25½	10.12	[illegible]	–	2.5
Mr Jn Se De	Rockwell Intl. $1	10¼	9.11	[illegible]	–	3.5
Oc Ja Ap Jly	Sara Lee $1(1/3)	28¼xd	13.00	[illegible]	–	2.7
Mr Jn Se De	Saul (B. F.) $1	9½	10.9	[illegible]	–	2.2
Fb My Ag No	Southwestern Bell $1	19⅜	7.7	[illegible]	–	6.6
–	Staley Continental	11¾	–	[illegible]	–	3.7
Mr Jn Se De	Sun Co. Inc. $1	29¾	05.10	[illegible]	–	5.5
Ma Je Se De	TRW Inc. $0.625	27⅝xd	11.8	[illegible]	–	3.2
Mr Jn Sp Oc	Tenneco $5	25⅝xd	12.8	[illegible]	–	6.6
June Dec	Do. 10pcLn.Stk. 91-5	158xd	13.00	[illegible]	–	‡4.7
Mr Je Se De	Texaco $6.25	23⅛xd	31.7	[illegible]	–	7.6
Mr Je Se De	Time Inc. $1	47½xd	22.8	[illegible]	–	2.2
Ja Ap Jy Oc	Tracor $0.33(1/3)	17½xd	16.9	[illegible]	–	1.3
Jn Ap Ja Oc	Transamerica $1	18xd	30.08	[illegible]	–	5.6
Fe My Au No	Transworld Corp $5	912p	11.11	[illegible]	–	2.2
Mc Je Se De	TRINOVA Corp.	17½	9.11	[illegible]	–	1.8
Mr Je Se De	♥USX $1	18⅜	30.10	[illegible]	–	3.5
Mr Jn Sp Oc	Utd. Technologies	20⅝xd	19.5	[illegible]	–	3.8
Fb My Ag No	US West‖	28¾	13.4	[illegible]	–	6.2
–	Waste Management $1	21	15.12	–	–	–
–	Whirlpool $1.0	14⅝	–	–	–	–
Mr Je Se De	♥Woolworth $3½	21¼	19.11	[illegible]	–	3.4

CANADIANS

Dividends Paid	Stock	Price	Last xd	Div Gross	C'vr	Y'ld Gr's
–	ABN Gold Corp ‖	309p	–	–	–	–
–	♥Abbot Energy Corp	16½p	–	–	–	–
–	♥Amer. Barrick Res.	11½	–	–	–	–
–	American Lightwave	5p	–	–	–	–
–	♥Armeno	44p	–	–	–	–
–	Augmitto Expln.	65p	–	–	–	–
Fb My Ag Nu	Bk. Montreal ‖	11⅞xd	9.11	$2.00	–	7.0
Ja Ap Je Oc	Bk. Nova Scot.‖	595xd	29.11	72c	–	5.0
Ap Jy Oc Ja	BCE ‖	16⅜	10.9	$2.40	–	6.1
May Nov.	♥Bow Valley‖	650p	15.12	‡40c	–	2.6
Ja Ap Jy Oc	♥Brascan‖	12⅛	28.10	88c	–	3.0
–	♥Breakwater Res.	204p	–	10c	–	2.0
–	Campeau Corp ‖	791p	–	–	–	–
Fe My Au No	Can.Imp.Bk. $2	877xd	29.12	$1.08	–	5.1
July Jan.	Can. Pacific ‖	991p	29.6	60c	–	2.5
July Jan	Do. 4pc Deb £100	41½xd	10.11	4%	–	9.6
–	Central Capital "A" ‖.	438p	–	–	–	–
–	Dantics Res.	89p	–	–	–	–
Mr Jn Se De	Derlan Inds.	750p	3.6	11.75c	–	0.7
Ja.Sp.Dec.Mar	♥Echo Bay Mines	13¼	–	20c	–	0.6
–	Energex Minerals	30p	–	–	–	–
–	Euro-Asia Capital Ltd.	187p	–	–	–	–
–	♥Galactic Resources	310p	–	–	–	–
–	Global Data Systems	18½p	–	–	–	–
–	Granges Explo‖	374p	–	–	–	–
–	♥Gt. Pacific Res.	10½p	–	–	–	–
Ja Ap Jy Oc	♥Gulf Canada‖	792p	26.3	52c	–	2.7
Ap Jy Oc Ja	♥Hawker Sid Can‖	953p	15.11	96c	–	4.2
–	Henlys Group	530p	–	–	–	–
Mr Jn Sp Oc	♥Hudson's Bay ‖	823p	02.09	60c	–	3.0
Mr Je Se De	♥Imperial Oil‖	25½	26.11	s$1.60	–	2.6
Jan.Ag.J.O.	Inco‖	11⅝	4.8	US$0.20	–	0.9
–	♥Intl. Corona Res.	19	–	–	–	–
Fe My Au No	♥Inland Nat. Gas $1	503p	30.12	60c	–	5.0
–	♥Lacana Mining Corp ‖.	553p	–	Q15c	–	1.1
–	Madeleine Mines	230p	–	–	–	–
–	♥Muscocho Expln.	149p	–	–	–	–
–	♥Ntnl Business Syst.‖	536p	–	–	–	–
–	♥Nevada Goldfields	204p	–	–	–	–
June Dec	♥Rio Algom	845p	5.11	$1.30	–	6.4
Mr Je Se De	Royal Bk. Can. ‖	12½	21.09	$2.08	–	6.9
–	♥Royex Gold Mining ‖	244p	–	–	–	–
Se De Mr Jn	Seagram‖	32½	14.2	US$1.00	–	1.7
–	♥Sonora Gold Corp‖	330p	–	–	–	–
–	Spiral Eng.	26p	–	–	–	–
F My Au No	Toronto-Dom. Bk.‖	12⅝xd	22.12	84c	–	2.8
–	♥Trans Atlantic Res ‖	33½p	–	–	–	–
Ja Ap Jy Oc	♥Trans Can Pipe.	672p	1.12	$1.12	–	7.0
–	Varity Corp‖	160p	31.77	8	–	–

BANKS, HP & LEASING

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Feb July	ANZ SA1	140xd	26.5	Q21c	♦	5.9	♦
Dec July	Allied Irish	210	23.11	‡Q6.16%	2.8	6.7	7.3
Aug May	Algemene Fl.10	£11¼	18.8	Q2.7%	2.1	6.9	6.8
June Dec	Anglo Irish	65	7.12	Q19.1%	♦	6.0	♦
April	Ansbacher (H.) 1p	70	23.3	42.0	–	3.9	–
Dec June	Banco de Bilbao S.A.	£34½	9.12	‡Q38%	3.0	2.8	11.7
March Sept	Banco de Santander	828	30.4	‡Q9.15%	2.7	1.9	–
July Dec	Bank Ireland Ir£1	210	23.11	‡Q15.3%	2.9	6.7	7.3
–	Bank Leumi	815	–	–	–	–	–
Oct Apr	Bk.Leumi (UK)£1	398	10.8	12.4	–	4.9	–

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES — Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible] after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	
Craig & Rose £1	550	−38
Finlay Pkg. 5p	80	
Holt (Jos) 25p	£11½	
Joll Stm. £1	240	

Fin. 13% 97/02	£113⅛	
Arnotts	315	+10
CPI Hldgs	85	+7
Carrol Inds	150	+10
Hall (R. & H.)	105	
Helton Hldgs	45	+1
Irish Ropes	115	
Unidare	250	

IRISH

Fund 11¼% 1988	£100⅝	
Nat. 9¾% 84/89	£200	+¼

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	42
Amstrad	58
BAT	57
BOC Grp	46
BSR	13
BTR	33
Barclays	52
Beecham	52
Blue Circle	44
Boots	28
Bowaters	41
Brit. Aerospace	42
Brit. Telecom	28
Burton Ord	32
Cadburys	30
Charter Cons	41
Comm Union	40
Courtaulds	42
FKI Babcock	14
FNFC	31
Gen Accident	105
GEC	22
Glaxo	155
Grand Met	50
GUS 'A'	150
Guardian	110
GKN	35
Hanson	19
Hawker Sidd	53
ICI	145
Jaguar	42
Ladbroke	48
Legal & Gen	53
Lex Service	35
Lloyds Bank	38
Lucas Inds	62
Marks & Spencer	24
Midland Bk	47
Morgan Grenfell	37

NEI	15
Nat West Bk	67
P & O Dfd	65
Plessey	20
Polly Peck	36
Racal Elect	38
RHM	40
Rank Org Ord	65
Reed Intnl	58
STC	29
Sears	18
TI	35
TSB	16
Tesco	22
Thorn EMI	64
Trust Houses	28
T&N	22
Unilever	62
Vickers	22
Wellcome	47
Property	
Brit Land	32
Land Securities	55
MEPC	54
Peachey	47
Oils	
Brit Petroleum	33
Britoil	28
Burmah Oil	88
Charterhall	7
Premier	10
Shell	135
Tricentrol	13
Ultramar	24
Mines	
Cons Gold	125
Lonrho	29
RTZ	48

A selection of Options traded is given on the London Stock Exchange Report Page

Clay Harris discusses renewed bid interest in the Bryant Group

ECC has time on its side

THE PENSION fund at **Bryant Group**, the housebuilding, construction and property company, will soon have two new trustees, chosen by employees in a secret ballot last month.

Although the election had no direct connection to Bryant's chief concern at the moment, a possible renewed takeover bid by **English China Clays** later this month, it illustrates the company's desire to keep all fences in good repair.

The Cornish-based industrial minerals, quarrying and construction group will be free to launch a new bid for Bryant on January 28, a year after its £187m contested offer fell just short with acceptances from 46.9 per cent of shares.

ECC, which has retained a 29.9 per cent stake in Bryant, steadfastly refuses to comment on its intentions. Speculation that it will try again, however, has boosted the price of Bryant's shares 80 per cent above ECC's last offer and close to its peak of 148p just before the October crash. On Friday, the shares closed at 144p, to value Bryant at £288m.

The election of employee representatives to the pension fund, to join three existing trustees who are also directors of the company, has more than a tangential bearing on a possible renewed bid by ECC.

Last January, the pension fund bought 1.27 per cent of Bryant, a small stake which played a role in the narrow escape far larger than the number of shares involved.

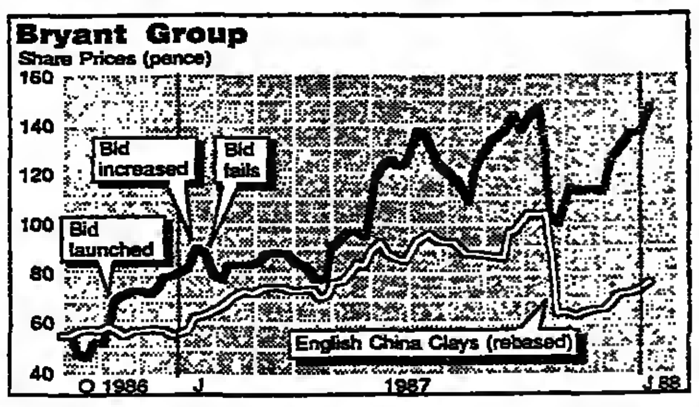
Sir Alan Dalton, chairman of English China Clays

Many disinterested observers joined the ECC camp in criticising the so-called self-investment and its timing. They asked whether the fund's trustees might be placing their desire, as directors, to maintain Bryant's independence over the financial interest of the fund members.

The controversy helped to prompt an inquiry by the National Association of Pension Funds into the principle of self-investment. It is due to report its findings shortly.

The share purchases, then amounting to about 10 per cent of the fund's assets, won nearly unanimous support when trustees polled employees during the bid. But no candidate in the recent election is believed even to have mentioned the issue.

Mr Dave Boddy, a surveyor



who won out over four other candidates to represent Bryant's Midlands employees, said last week: "Bryant shares are no more risky than anyone else's. I can't see any reason in principle why the pension fund shouldn't hold a prudent amount of Bryant shares."

Employees in the south elected Mr Colin Godfrey, land manager in charge of acquisitions in the Thames valley, from a field of three. Overall, 70 per cent of eligible fund members took part in the poll.

The performance of Bryant's shares, meanwhile, has banished most doubts about the fund's investment. The value of the stake has risen in a turbulent year from £2.2m to £3.7m.

Bryant's 60 per cent out-performance of the FT All Share reflects more than the recent bid speculation. Most successful defenders comfortably exceed profits forecasts made during a bid, but Bryant went one better, and beat its estimate for 1987-88 a year ahead of time.

Pre-tax profits of £28.4m in the year to last May 30 reflected not only the general buoyancy of house prices, but also Bryant's steady creep towards the more prosperous south-east from its Midlands base. Profits from its Pavilions retail development in the centre of Birmingham came through more quickly than expected.

The Pavilions, however, is one reason Barclays de Zoete Wedd, coincidentally stockbroker to ECC, suggests that no one should be surprised if its client does not launch a bid for Bryant at the first opportunity.

BZW expects Bryant to take all the remaining profits from the Pavilions in the current year, perhaps £10m of the £39m pre-tax total forecast by the broker. ECC might be reluctant, BZW argues, to pay a premium for control in a year when such a large proportion of profit is non-recurring.

Moreover, although housebuilders like Bryant have had a good run in the market, post-October uncertainty has led most analysts toward the view that the ceiling is low and the cellar is deep. Again, a handsome price in the spring could look foolish by the autumn if house prices fail to live up to the bullish forecasts of estate agents and mortgage lenders.

Thwarted on Bryant last January, ECC's attention turned elsewhere, especially to the US, where it has great ambitions to assemble a construction aggregates empire.

With the dollar lower against sterling, but perhaps not going that much lower, BZW argues that this could be an ideal time to make more US acquisitions such as J.L. Shiely, the Minneosta-based aggregates group for which ECC paid $73m (£40m) late last year.

ECC is unswayed from its eventual desire to move into the really big league in UK housebuilding, by adding Bryant's superior landbank and more up-market operation to its own housebuilding business which is still too dependent on first-time and, the barely tastefully described, last-time buyers. Bryant is expected to sell 2,400 units in the current year, against 1,300 for ECC.

But Bryant, goes the argument, can wait. Favourable opportunities in the US may be more fleeting.

A final factor militating against a snap bid for Bryant later this month is ECC's financial situation. Since last January, it has moved from a net cash position to manageable gearing of about 22 per cent.

A 175p bid, for example, would value Bryant at £350m. Raising the £245m to pay for the 70 per cent it does not already own, would lift ECC's gearing to 50 per cent, a much less comfortable position in an uncertain market.

Of course, if the market becomes persuaded that ECC can afford — and is willing — to wait, the Bryant share price is likely to lose some of its bid premium and make the predator's eventual task that much easier.

The passage of January 28, therefore, will not reduce the pressure on Bryant. ECC will be free to pop a bid at any time afterwards, or to pass its stake on to another potential bidder. In the meantime, its holding gives it an effective veto over any action requiring more than 75 per cent approval.

The two companies have not had any formal contact for nearly 10 months. Relations between directors never really recovered from a first frosty encounter in November 1986, when ECC failed to win Bryant's support for an agreed bid.

It is indisputable, however, that the Cornish interloper now has its feet securely under Bryant's table, having tracked clay across the carpet. It may be a long game, but in the long run, ECC appears to hold the stronger hand.

Evered lifts holding in Henderson to 23.6%

By Heather Farmbrough

Evered Holdings has increased its holding in the Henderson Group, industrial doors and security products company, from 22.8 per cent to 23.57 per cent, valuing its holding at £17.3m. Robert Fleming, the merchant bank which has been Evered's advisor, bought 175,000 shares in the market on Friday morning at 330p.

Essehid and Osman Abdullah, the brothers who head Evered, were unavailable for comment. Henderson has previously said that it wishes to remain independent. However, Evered has held "a friendly management meeting" with Henderson at the latter's Romford headquarters.

Following a series of disposals by Evered, analysts believe the company may launch a cash bid for Henderson, which is capitalised at £73m.

Henderson is expected to report pre-tax profits of £6.4m for the year to February, compared with £4.42m in 1987, and to make £8m the following year. This would value the company on a prospective p/e of fifteen times for 1988/9, compared with Evered's rating of 8.2 times for the year to December 31, 1987.

Arco raises Britoil stake

Atlantic Richfield, the US oil company, announced the purchase of 3.5m more shares of Britoil, the UK independent, raising its stake from 22.24 per cent to 22.93 per cent.

The shares were purchased at 445p, just below the 450p-per-share price at which BP plans to bid for the company.

Capital Radio shares rise

Shares in Capital Radio, London's independent radio station, closed 8p up at 170p, following Friday's annual meeting, the first since the company went public last February.

At the meeting, chairman Sir Richard Attenborough told shareholders that last year's increase in business had continued into the current financial year. Advertising revenue was up by 17 per cent in the year to September 30 1987.

TR Technology unveils plans for settling dispute

BY MICHAEL SMITH

TR Technology, a Touche Remnant investment trust, yesterday unveiled its plans for settling a dispute with Firmandale, a Jersey-based company which has 27 per cent of the equity, over the future direction of the trust.

The plan, which is aimed at reducing the gap between the asset value of the trust's shares and the price at which they are trading, would create a new quoted 10-year investment trust, TR Global Technology, which would be split level and a unit trust. These would take 45 per cent and 28 per cent of the assets, respectively.

The remaining 27 per cent would be placed in a fund which would be managed separately by Berkeley Govett, the fund management company which advises Firmandale. Included in this would be a large proportion of the 11 per cent stake which TR Technology holds in Berkeley.

TR's proposal has been formulated as an alternative to a plan by Firmandale which would create a split level fund and give Berkeley a share in the management. TR opposes this, partly because it says it would cause a conflict of interest for Berkeley.

Last month the trust's management won a High Court order barring Firmandale from voting its stake because of "dissatisfaction (by TR Technology) with the response received from its investigation" into the ownership of Firmandale.

Firmandale was not consulted by TR Technology about the trust's plan and last night Mr Arther Truegar, Firmandale chairman, had not seen a copy of the letter to shareholders.

"We have an open mind to all proposals," he said. "It is time to get this thing sorted out." Firmandale is challenging the High Court decision to freeze the votes of its shares. In any case the TR proposal would not be able to go through without Firmandale's approval.

Stonehill acquisition to boost recovery

BY DAVID WALLER

Stonehill Holdings, the loss-making furniture company, is taking a further step towards recovery with the acquisition of the David Hicks Group, a design company, for £1.72m in shares.

The purchase follows a £3.2m deep discount rights issue in November which gave a controlling stake in the company to Mr James Buchanan, a Jersey-based investment manager.

The latest transaction, put together by Ifincorp Earl, involves the issue to the vendors of 4m new Stonehill shares, 19 per cent of the enlarged equity.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Atlas Investment Trust, Cardo Engineering, Ellis and Everard, Northumbrian Fine Foods, Thorpac, Wyko, Zetters.

Finals- Appletree, Body Shop International, Cauldon Group, Fleming Charterhouse Investment Trust, London Scottish Finance, Robert H. Lowe, Sturge, F.H. Tomkins.

FUTURE DATES

Interims-	
Cray Electronics	Jan 12
G.T. Japan Investment Tst.	Jan 25
Goode Durrant	Jan 15
Harmony Leisure	Jan 18
Harrison Industries	Jan 18
Haynes Publishing	Jan 28
Multitone Electronics	Jan 13
Neepsend	Jan 28
Nordic Investment Trust	Jan 21
Stanley Leisure Org.	Jan 20
Wigfalls	Jan 15
Finals-	
ICI	Mar 21
National Westminster Bank	Jan 13
Newman Tonks	Jan 27

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
* Barclays	Feb 24	Final 11.5	Lonrho	Jan 29	Final 1.0
* Dixons	Jan 13	Interim 1.2	* NatWest	Jan 13	Final 13.5
Dowty	Jan 21	Interim 2.6	Reuters	Feb 11	Final 3.75
Gold Fields	Feb 9	Interim 65c	* Racal Elec	Jan 26	Interim .7665
* Lloyds Bank	Feb 26	Final 11.75	Ratners	Jan 12	Interim 1.0
			* THF	Jan 18	Final 4.67
			* TSB	Jan 15	Final 1.065

Thorpac down but takes steps to hold position

ALTHOUGH THE **Thorpac Group** suffered a setback at midway, the directors are confident that measures being taken will enable it to maintain its dominant position and ensure continued organic growth.

Also, it has entered the field of bar and catering supplies, where it sees opportunities for profitable growth, by agreeing to acquire JTS Manufacturing.

Thorpac, quoted on the USM and engaged in the distribution of deep freeze packaging and microwave cookware, enjoys the bulk of its profits from second half trading.

Nevertheless, in the six months ended September 30 1987 it saw turnover fall from £1.92m to £1.78m and pre-tax profit from £93,000 to £72,000 as a result of extremely flat consumer demand in the opening four months, coupled with fierce competitive activity in the microwave cookware sector.

Earnings were slightly reduced to 0.55p (0.56p) and the interim dividend is again 0.333p.

The directors expressed their optimism for the future of the core microwave cookware and freezer packaging business, and said they had invested in a new range of sleeve packaging for the semi-disposable range of cookware for much improved store display.

Additionally, a completely restructured and re-packaged freezer range will be launched early this year. There was also to be a "major strengthening" of the sales team.

Consideration for the acquisition of JTS is the issue of 700,000 ordinary and £300,000 7.5 per cent convertible cumulative preference shares; there is also £100,000 of 6 per cent convertible unsecured loan stock on which the maximum number of shares that can be issued on full conversion is 600,000.

Assets of JTS were valued at £147,000. In the year ended April 30 1987 it made profits of £151,000 before salary and rent. Mr Paul Bowskill will continue to run the business and will join the Thorpac board on completion of tha deal.

Bio-Isolates rights attracts only 52%

By Heather Farmbrough

Bio-Isolates, the loss-incurring USM company which produces protein from the milk product whey, said that only 52 per cent of its two-for-nine rights issue had been taken up, leaving the balance with the underwriters.

The company also said that it had completed the acquisition of a further 25 per cent share in the US company, Le Sueur Isolates, taking its holding up to 75 per cent. The underwriters include Mr Richard Koch and Mr Christopher Rechnie, partners of the LEK management consultancy, who will take up 6.62 and 6.78 per cent respectively of the new 27.5p shares.

Mr Koch was asked to be a non executive director of Bio-Isolates by Hill Samuel, the company's merchant banker. He had previously looked at the company as a prospective acquisition for a client.

Bio-Isolates has had several rights issues since its listing on the USM five years ago and has still to report a profit. The latest issue raised £1.4m cash, and to help rationalise its corporate structure and maximise its ability to take up UK tax losses.

The shares closed at 28p on Friday.

FT Share Service

The following securities have been added to the Share Information Service.

Allied Restaurants (Section: Hotels). **Gaelic Resources** (Oils). **Nationwide Anglia Building Society 10¹³⁄₁₆ per cent 12.9.88, 10⅝ per cent 26.9.88, and 10¾ 31.10.88** (Loans). **Nestor-BNA** (Industrials). **Staks Holdings** (Third Market).

FINANCIAL TIMES STOCK INDICES

	Jan. 8	Jan. 7	Jan. 6	Jan. 5	Jan. 4	Dec. 31	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.38	87.82	87.76	88.37	88.47	88.49	93.32	83.73	127.4	49.18
Fixed Interest	94.14	94.23	94.39	94.72	94.61	95.07	99.12	90.23	105.4	50.53
Ordinary	1424.5	1434.5	1438.0	1437.1	1402.0	1373.3	1926.2	1232.0	1926.2	49.4
Gold Mines	308.6	312.5	299.3	295.9	298.9	302.1	497.5	261.6	734.7	43.5
FT-Act All Share	904.43	908.49	908.21	907.74	886.50	870.22	1238.57	784.81	1238.57	61.92
FT-SE 100	1773.4	1787.2	1787.1	1789.6	1747.5	1712.7	2443.4	1565.2	2443.4	986.9

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

[illegible]

CANADA

TORONTO

Closing prices January 8

Sales	Stock	High	Low	Close	Chng
77494	Abitibi Pr	$28¾	28	28	−¾
16000	Acklands	$18	18	18	
4800	Agnico E	$22⅝	22¼	22¼	−¼
65440	Alberta En	$17¼	16¾	16¾	−⅝
5800	Alberta N	$13	12⅞	12⅞	−⅛
598874	Alcan	$36⅞	33⅜	33½	−3¼
65	Algo Cent	$19¼	19¼	19¼	
520	Algoma St	$15½	15¼	15¼	−¼
81900	Asamera	$6¾	6⅝	6⅝	−⅛
12700	Atco 1 f	$9⅞	9⅝	9⅝	−¼
500	Atco II	$9⅝	9⅛	9⅛	−¼
190238	Bell Can	$37⅞	37	37⅛	−⅝
32912	Bk BCol	73	72	73	+1
1600	BC Sugar A	$28	27½	27½	−½
35112	BP Canada	$18¼	18¼	18¼	−½
2212	Banister C	$8	8	8	−⅛
85194	Bk Montl	$27⅛	26½	26½	−¾
328682	Bk NScot	$13⅞	13⅝	13½	−¼
261639	Bow Valy	$15¼	14⅝	14⅝	−½
300	Bralorne	152	132	132	−13
500	Bramalea	$20¼	20¼	20¼	−⅛
90449	Brascan A	$26⅞	26¾	26¾	−1⅛
36790	Briwater	470	455	455	−15
4000	Brenda M	$17¼	17½	17¾	+¼
42773	BC ForP	$19⅛	19	19	−⅜
13665	BC Res	90	88	88	−1
14940	BC Phone	$27⅛	27	27	−½
1400	Brunswk	$13	13	13	−¼
194750	CAE	$7⅜	7	7	−¼
78216	CCL B f	$7⅝	7⅛	7¼	−⅛
4555	CIL	$28	28	28	
3100	Cambridg	$24½	24¼	24¼	−¾
1000	Camp Res	213	210	210	
36795	Campeau f	$18¼	17¼	17¼	−1
89	CCem ex p	$18⅛	18⅛	18½	
3000	Can Malt	$23¼	23¼	23¼	−¼

Sales	Stock	High	Low	Close	Chng
1016	Chieftan	$9¾	9½	9¾	+⅛
179598	Cominco	$14¼	13¼	13¼	−⅞
3900	Computing	450	450	450	−40
6000	Comput In	173	170	170	−5
49068	Con Bath A	$19	18½	18½	−⅛
19607	Carma A	190	175	180	−10
815	Cons Gas	$24½	24	24	−⅝
2600	Con Glass	$23⅝	23⅛	23⅛	−¼
109400	CTL Bank	350	340	340	−10
11100	Conwest B	$10¾	10⅝	10⅝	−⅛
9000	Costain R	50	48	50	+2
5850	Crownx	$10¾	10½	10½	−¼
31800	Crownx A f	$5¼	5	5	−¼
5000	Czar Res	145	140	140	
3060	Denison A p	$5⅝	5¼	5¼	−⅛
27800	Denison B f	495	490	490	+5
4000	Develcon	180	180	180	+35
1600	Dickman A 1	$9	8⅞	8⅞	−⅛
37576	Dofasco	$27½	26½	26½	−¾
209059	Dome Pete	98	91	93	−5
760	D Textile	$16⅝	16¼	16¼	−¼
3900	Domtar	$15¼	14⅝	14⅝	−⅛
500	Donohue	$29½	29½	29½	−¼
1500	Du Pont A	$29¼	29¼	29¼	−¾
26250	Dylex A	$8¼	8⅛	8¼	+⅛
153539	Echo Bay	$30¼	28¼	28¼	−1⅛
900	Emco	$12	12	12	−¼
6450	FCA Intl	$10⅞	10¾	10¾	−¼
331675	Fcnbrdg	$22¼	21¼	21¼	−1
19952	Fed Ind A	$14¼	14	14	−⅛
1000	FCity Fin	$17⅞	17⅞	17⅞	
400	Ford Cnda	$127	125	125	−2
924	Gandalf	$8⅝	8⅛	8⅛	−⅜
13200	Geac Comp	175	160	165	
600	Gendis A	$18⅞	18⅞	18⅞	
100	Giant Yk	$21½	21½	21½	−¾
1600	Gibraltar	$10⅝	10	10⅛	−⅜
216940	Goldcorp f	$8⅝	8¼	8¼	−¼
1300	Grafton A 1	$9¼	9⅛	9¼	−⅜
2827	GL Forest	$48¾	48	48	−¾

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices January 8

[illegible]

Total Sales [illegible] shares

OVER-THE-COUNTER

Nasdaq national market, closing prices January 8

Continued from Page 29

[illegible]

INDICES

NEW YORK — DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

TORONTO

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed.(u) Unavailable.

AUSTRALIA | AUSTRIA | BELGIUM | DENMARK | FINLAND | FRANCE | GERMANY | HONG KONG | ITALY | JAPAN | NETHERLANDS | NORWAY | SINGAPORE | SOUTH AFRICA | SPAIN | SWEDEN | SWITZERLAND | WORLD

[illegible]

** Saturday January 9: Japan Nikkei (c). TSE (c)

Base values of all indices are 100 except Brussels SE — 1,000 JSE Gold — 256.7 JSE Industrials — 264.3 and Australia, All Ordinary and Metals — 500; (c) Closed.(u) Unavailable.

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

Closing prices, January 8

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
25⅝	14	AAR s	.36	2.0	16	27	18⅝	18	18	−⅞
32½	19⅝	AFG s	.16	.6	9	278	26⅛	25¾	25¾	−⅛
27	10½	AGS s			13	172	17⅝	15⅛	15½	−2
10½	6¼	AMCA				6	7	6⅞	6⅞	−⅛
9⅝	3¼	AM Intl			38	1453	5¾	5⅝	5⅝	−⅛
60½	25¾	AMR			18	3279	35⅝	33¼	33⅝	−2⅞
25	19	ANR pf 2.12		10.		1	20¾	20¾	20¾	
12¼	6⅝	ARX s			7	72	7⅛	7¼	7⅜	−½
73½	36⅝	ASA	2a	4.0		634	51	49¼	49½	−⅝
22⅝	9½	AVX			19	292	15	14⅝	14⅝	−¼
67	40	AbtLab	1	2.1	16	3331	49⅝	46¼	47⅜	−1½
29	15⅜	Abitibi g				313	20¾	20½	20½	−⅜
16¾	6½	AcmeC .40		3.5	18	114	12½	11¼	11½	−1⅛
10½	6⅞	AcmeE .32b		3.9	20	22	6¾	6⅛	6⅛	
20	14⅛	AdaEx 3.44e		21.		152	16⅛	16⅛	16⅛	−¾
19½	6⅞	AdamM .24		2.7	7	111	10	9	9	−¾
24⅞	7½	AMD				4784	11	10⅛	10¼	−¾
56¾	29¼	AMD pf	3	9.0		88	33¼	33	33¼	
11⅛	4⅝	Adobe				421	6⅞	6⅝	6⅝	
20½	16¼	Adob pf 1.84		11.		1	17¼	17¼	17¼	+⅛
21⅞	17½	Adob pf 2.40		12.		7	20¾	20¼	20¼	−⅛
15	6⅛	Advest .12		1.7	5	157	7⅛	7⅛	7⅛	−⅛
68¼	43¾	AetnLf 2.76		6.3	8	4416	45⅝	43⅞	43⅞	−2⅛
63½	35	AhlPub .40		.8	6	1071	54¼	53	53	−1
26⅞	13	Ahmans .88		5.8	8	2269	16¼	15¼	15¼	−1
5⅜	1⅜	Aileen				158	2¼	2	2	−⅛
53⅞	29	AirPrd	1	2.6	13	1101	40½	38	38⅛	−2⅛
38	11⅛	AirbFrt .60		4.1	9	954	15⅝	14¼	14½	−¾

Continued on Page 29

NYSE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	7½	PhilVH s .28		2.8	5	244	10⅞	10	10	−⅞
12	2⅜	Philcorp				189	3⅝	3⅜	3⅜	−¼
26¼	17½	PiedNG1.32		6.6	9	30	20	19¾	19⅞	
14⅝	4¾	Pier 1 .06		.9	9	1140	6⅞	6⅝	6⅝	−⅜
9½	5¼	PilgRg .21e		3.1		149	7	6¾	6¾	−¼
15⅜	3⅝	PilgPr .06e		1.3	10	165	4⅝	4⅜	4¼	
48⅞	28	Pilsbry1.12		3.3	14	7068	35⅞	34¼	34¼	−8
32¾	20⅜	PinWst2.80		9.8	6	446	28¾	28½	28½	−⅛
46⅜	22¼	PionrEL25r		.6		7	44¾	44½	44¼	−½
60¼	29⅜	PitnyBw.76		2.1	15	2280	38¼	35	36	−3⅛
16⅛	8½	Pittsby			32	645	11	10⅝	10⅝	−⅜
21⅝	10⅞	PlcrD gn.20				2324	15½	14⅝	14½	−⅞
33¾	16¼	PlainsP.10e		.4	47	37	23⅛	23	23	−¼
25¾	11½	Plantrn .16		1.1	10	107	15⅝	14⅝	14⅝	−⅜
16¾	8½	Playboy			16	3	13	13	13	
6	2½	PogoPd				1082	5¼	4⅝	4⅝	−⅝
42¾	16½	Polaroid s .60		2.7	12	3161	24⅞	21½	22⅜	−2¼
27¼	9¾	PopTals.44		2.3	7	323	19⅝	17½	17½	−⅝
15⅝	4½	Portec				57	6	5⅜	5⅜	−½
01½	20⅝	PortGC1.96		9.0	12	279	22¼	21⅞	21⅞	−¼
29⅝	25	PorG pf2.60		9.9		81	26⅝	26⅜	26⅜	−¼
41⅞	21	Potlch s.92		3.5	9	408	26¾	25½	25½	−1⅜
68	48	Potk pf3.75		6.4		16	60	59	59	−1
27⅜	16	PotmE s1.30		5.7	10	846	23	22½	22⅝	−⅜
31¾	16½	Premrk.32		1.4		461	23⅞	22½	22½	−⅜
48¾	28⅜	Premin .44		1.2	20	69	36½	36⅜	36⅜	−⅝
29⅛	17	Primark1.30		7.1	6	152	20⅜	18⅝	18⅝	−1
31	12⅝	PrimeC			13	4934	16⅞	15½	15⅝	−1½

X-Y-Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
85	50	Xerox	3	5.3	12	3699	62⅞	57	57	−5
58¼	52½	Xerox pf5.45		10.		302	53⅝	53⅛	53⅝	+⅛
31½	18⅛	XTRA .64		2.5	17	151	26⅞	25½	25¾	+¼
28¼	18½	XTRA pf1.94		8.0		52	24⅞	24¼	24¼	−¼
33⅞	15¾	Yorkin			19	229	24⅞	23	23	−1⅞
7⅛	2¼	Zapata				165	2⅞	2¾	2¾	−⅛
37	13½	Zayre .40		2.5	6	4143	17⅛	15¼	15½	−2½
16⅜	6¾	Zemex .40		4.1	9	34	9⅞	9¾	9¾	
33⅝	10	ZenithE				962	16⅛	14¾	15	−1
13½	2⅛	ZenLab				1363	3⅛	2⅞	2⅞	−¼
28¼	13½	Zenith .80		4.3	8	80	18⅞	18¼	18¼	−⅛
20⅝	11⅝	Zero .36		2.4	15	213	15⅝	15	15	−⅞
30¾	16	Zurnin s.60		3.4	13	219	21⅞	20	20	−1⅝
16⅝	7⅜	Zweig 1.08e		12.		846	9⅛	9	9	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, January 8

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices January 8

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 27

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Economists continue to look for a dollar fall

BY COLIN MILLHAM

FORECASTS FOR 1988 indicate another strong performance from Japan, sluggish growth in West Germany, and considerable doubt about the US and UK.

Nomura Research Institute says the performance of Japan underlines its astonishing ability to adapt to the rising yen. Growth is forecast to be 3.8 p.c. in 1988, compared with 3.9 p.c. last year.

Kleinwort Grieveson Securities expects growth unchanged at 3.9 p.c. this year, slowing to 2.9 p.c. in 1989. Kleinwort does not expect any great movement in interest rates, commenting that in the short term the fragility of equity and foreign exchange markets will keep monetary policy easy, but that the Bank of Japan is clearly uncomfortable, and will prefer to let the yen rise, rather than risk inflation with lower interest rates at a time of strong growth.

Nomura sees the dollar falling to Y115 by the end of the first quarter, and after recovering to Y120 by the middle of the year, falling back to Y115 by the end of 1988.

Credit Suisse First Boston expects the dollar to be around Y120 to Y122 in the first quarter, but adds "We strongly suspect the dollar to be higher by the end of the year than the end of the first quarter." Lloyds Bank predicts that central bank intervention will give only temporary strength to the dollar, which is forecast to fall to Y112 by mid-year. As far as West Germany is concerned Lloyds Bank suggests growth of less than 2.5 p.c. this year, and that other Continental countries are even worse placed, because of balance of payments constraints. The conclusion is that Europe is not doing enough to boost growth, and that it is too easy to heap blame on the US for failing to rectify imbalances in the world economy.

Kleinwort Grieveson puts German growth at no more than 1.7 p.c. this year, end expects the dollar to have fallen to DM1.50 by the end of 1988. Nomura agrees with this figure, while James Capel forecasts DM1.55. Lloyds Bank forecasts a fall to DM1.43 by the middle of the year.

CSFB is out of line with other forecasters, seeing the dollar at DM1.51 to DM1.57 at the end of the first quarter, but improving by the end of the year.

Baring Brothers is not optimistic about the prospects for the US. Growth is seen at around 1 p.c., while Kleinwort Grieveson looks for 2 p.c., falling to 1.1 p.c. in 1989. But Baring Brothers suggests the US will be unable to fund its current account deficit, without a further fall in the value of the dollar, and that domestic demand must come down in spite of the US Presidential election in November.

The merchant bank suggests the dollar will fall below DM1.50, and will head down towards Y100.

CSFB forecasts that share prices in the US and UK will test last October's lows. It adds that 1988 will provide a turbulent environment with sharp reaction to news. Baring Brothers fears another crash in equity prices unless the US takes steps to put its house in order.

Growth will be around 2.5 p.c. to 3 p.c. The main concern appears to centre on the current account deficit; interest rates (which are now expected to rise); sterling (which may fall against currencies other than the dollar); and oil prices (which could fall to $14 to $16 a barrel according to Morgan Grenfell and CSFB.)

£ IN NEW YORK

Jan.8	Close	Previous Close
£ Spot	1.8185-1.8195	1.7975-1.7985
1 month	0.26-0.24pm	0.27-0.24pm
3 months	0.75-0.71pm	0.75-0.73pm
12 months	2.87-2.77pm	2.90-2.80pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4580	43.2279	+1.81	+1.04	±1.5344
Danish Krone	7.85212	7.93998	+1.12	+0.35	±1.5404
German D-Mark	2.05853	2.06563	+0.34	-0.43	±1.0981
French Franc	6.90403	6.97610	+1.04	+0.27	±1.3674
Dutch Guilder	2.31943	2.32204	+0.11	-0.66	±1.5012
Irish Punt	0.768411	0.777649	+1.20	+0.43	±1.6684
Italian Lira	1483.58	1517.87	+2.31	+2.07	±4.0752

STERLING INDEX

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
116	1.57	3.07	1.39	2.57
118	1.03	2.14	2.49	4.00
120	0.36	1.34	4.18	5.20
122	0.17	1.01	5.63	6.51
124	0.08	0.42	7.54	8.20
126	0.04	0.26	9.50	10.12
128	0.01	0.15	11.47	12.01
130	0.01	0.09	13.47	13.59

Estimated volume total, Calls 5378 Puts 985
Previous day's open int: Calls 30310 Puts 14897

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	5.26	5.17	0.34	1.23
84	3.48	4.00	0.56	2.06
86	2.20	2.60	1.28	3.02
88	1.19	2.05	2.27	4.11
90	0.40	1.28	3.48	5.34
92	0.20	0.61	5.28	7.03
94	0.10	0.39	7.18	8.45
96	0.04	-	9.12	-

Estimated volume total, Calls 2 Puts 10
Previous day's open int: Calls 856 Puts 902

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Jan	Calls-Last Feb	Puts-Last Jan	Puts-Last Feb
16000	19.36	21.10	0.26	2.00
16500	14.80	17.27	0.70	3.17
17000	—	—	—	—
17500	7.23	10.05	—	6.75
18000	4.55	8.33	5.45	9.23
18500	2.64	6.25	8.54	12.15
19000	1.41	4.59	12.31	15.49
19500	0.70	3.30	16.60	19.20

Estimated volume total, Calls 10 Puts 20
Previous day's open int: Calls 35 Puts 64

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

FORWARD RATES AGAINST STERLING

	Spot	1 mth	2 mths	6 mths	12 mths
US Dollar	1.8070	1.8043	1.7993	1.7914	1.7780
D-mark	2.9825	2.9688	2.9410	2.8991	2.8213
French Fr.	10.070	10.069	10.061	10.060	10.059
Swiss Fr.	2.4375	2.4243	2.3999	2.3645	2.2952
Yen	233.25	233.15	232.97	232.68	232.11

EXCHANGE CROSS RATES

YEN	4.292	7.760	12.80	1000.	43.22	10.46	14.40	9408		268.0
F Fr.	0.993	1.795	2.962	231.4	10.	2.421	3.333	2177	2.303	62.02
S Fr.	0.410	0.742	1.224	95.57	4.130	1	1.377	899.1	0.951	25.62
H Fl.	0.298	0.539	0.889	69.43	3.001	0.726	1	653.2	0.691	18.61
Lira	0.456	0.825	1.361	106.3	4.594	1.112	1.531	1000.	1.058	28.49
C $	0.431	0.780	1.286	100.5	4.342	1.051	1.447	945.2	1	26.93
B Fr.	1.601	2.895	4.777	373.1	16.12	3.904	5.374	3510	3.713	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Mar	1.8072	1.8080	1.8040	1.7981
Jun	1.8002	—	—	1.7908
Sep	1.7955	—	—	1.7832

Estimated volume 17 (110)
Previous day's open int. 171 (326)

MONEY MARKETS

Variations on the trade theme

SEVERAL ECONOMIC figures will be published this week. The most important will be the US trade figures for November on Friday.

Market forecasts for the deficit range from around $13bn to $16bn, against a record October shortfall of $17.6bn.

Kleinwort Grieveson expects $14.5bn, while Morgan Grenfell forecasts $15bn. Baring Brothers forecasts $15.5bn and Nomura goes for $15.7bn, but Mr Neil MacKinnon at Nomura admits that forecasts tend to be akin to working out numbers on the back of an envelope, and that no one should be surprised if the result is $2bn either side of the median.

Seasonal factors should reduce the deficit in November, but a major unknown influence is the J curve factor, as the weaker dollar initially increases import costs while failing to produce enough benefit in export performance.

Bilateral balances between the US and its major trading partners will have been taken into account, but it is likely to be worth while keeping a close eye on the Canadian trade figures on Thursday for further guidance on the US deficit.

UK retail prices for December will also be published on Friday. County NatWest and Greenwell Montagu Research expect the annual rate of inflation to remain at 3.8 p.c. Baring Brothers forecasts a rise to 3.9 p.c., but is generally optimistic, expecting a fall to 3 p.c. late this year.

Morgan Grenfell says a cut in mortgage rates and low fuel prices, should offset higher seasonal food prices, leading to a cut to 3.7 p.c.

UK clearing bank base lending rate 8½ per cent from December 4

FT LONDON INTERBANK FIXING

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY RATES

NEW YORK (4 pm)

		Treasury Bills and Bonds			
		One month	4.78	Three year	8.13
		Two month	5.35	Four year	8.38
Prime rate	8.75	Three month	6.03	Five year	8.53
Broker loan rate	8.50	Six month	6.74	Seven year	8.84
Fed.funds	6⅞	One year	7.17	10-year	9.02
Fed.funds at intervention	6¾	Two year	7.91	30-year	9.18

LONDON MONEY RATES

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

World Ex. US (1857)	123.67	-0.5	101.41	102.95	1.93	124.33	101.50	103.05	143.38	100.00	101.51
World Ex. UK (2115)	112.55	-2.7	92.29	101.03	2.32	115.72	94.47	103.59	138.82	100.00	103.70
World Ex. So. Af. (2385)	114.15	-2.6	93.61	101.76	2.51	117.17	95.65	104.14	139.47	100.00	103.70
World Ex. Japan (1989)	101.82	-3.8	83.49	95.50	3.79	105.88	86.44	99.11	134.22	92.98	104.61
The World Index (2446)	114.30	-2.6	93.73	101.73	2.52	117.31	95.77	104.11	139.73	100.00	103.72

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.96 (Local).

CONSTITUENT CHANGES: Deletions: Tracor (US) and Electronic Rentals (UK). Name changes: Bryant Hldgs. to Bryant Group and Hanson Trust to Hanson (both UK), Pacific Western Airlines Corp. to PWA Corp. (Canada) and National Distillers 7o Quantum Chemical Corp. (US).